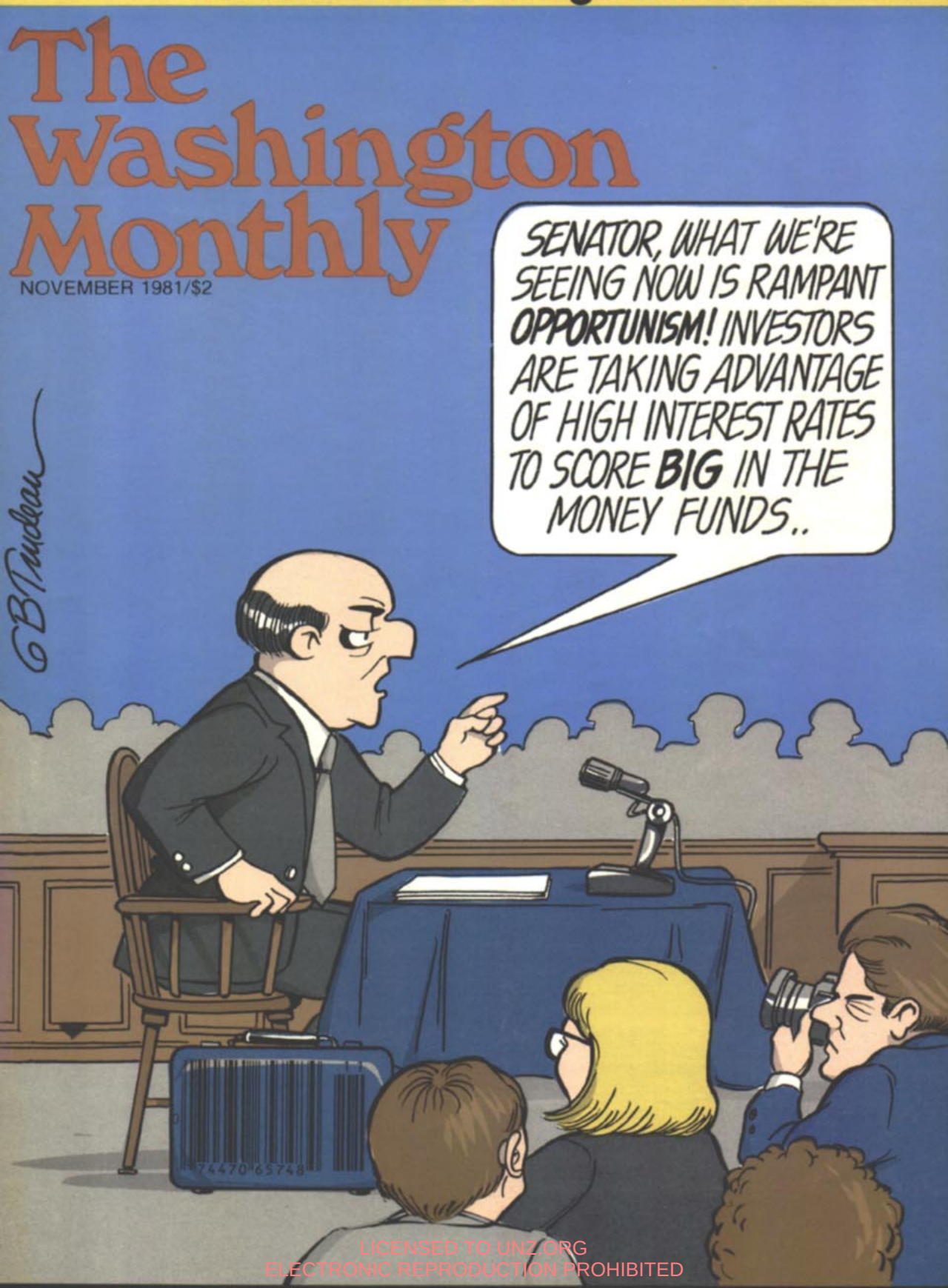
The Self-Interest in High Interest

The Washington Monthly

NOVEMBER 1981/$2



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The Chemical Industry's Commitment:

Progress for people. With Protection.

The progress

The chemical industry and its products play a beneficial and increasingly vital role in every American's life. More than 40 percent of all goods and services used today rely in some way on chemicals.

Chemical industry sales totaled an estimated $161 billion in 1980, making it the country's fourth largest industry. This helps the industry employ more than one million Americans. Additional millions are employed in industries dependent on chemicals.

During 1980, U.S. chemical exports were an estimated record $21 billion and imports an estimated $9 billion, giving the United States a trade surplus in this one field of nearly $12 billion. This makes the chemical industry the second largest contributor—behind agriculture—to the plus side of the U.S. balance of foreign trade.

On the farm, fertilizers and pesticides made with chemicals help growers boost U.S. crop yields by 43 percent.

Across the country, nearly 25 percent of the United States' food supply would spoil before reaching market without chemically based packaging materials and preservatives.

Around the table, vitamin and mineral supplements made with chemicals improve the nutritional value of many foods.

In the medicine chest, most of our modern medicines, including sulfa, antihistamine, decongestants, analgesics and antihypertensives, are formulated from chemicals.

Throughout your home, nearly 65 percent of the fibers used to weave towels, draperies, upholstery fabrics, sheets, bedspreads, blankets and tablecloths are made from chemicals.

In industry and homes, approximately 80 percent of American-made rubber products come from petrochemicals.

In communications, chemicals help make the resins and plastics used in radio and television transmitters and receivers, telephones, computers and other electronic equipment.

The protection

But along with benefits come risks. No chemical—not even common table salt—is 100 percent safe. Yet America must have chemicals.

So while we're maximizing the benefits, we're working hard to minimize the risks to protect people and the environment. Here are some of the things our industry is doing:

1. The chemical industry has already spent $7 billion on pollution control—more than any other industry in the U.S. In addition, we estimate we'll spend $10 billion just for safer waste disposal over the next five years.

2. We've hired more than 10,000 people whose sole job is to oper-

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ate and monitor pollution control equipment that helps to protect people and the environment.

3. We're creating useful raw materials from some potential pollutants. This helps to improve efficiency and conserve resources. Example: nitrogen wastes from one plant can nourish young pine trees nearby.

4. We're recycling many emissions and wastes back into the production process to improve efficiency and help conserve our nation's raw materials.

5. We've developed the secure landfill design—an underground structure with thick, compacted clay top, walls and bottom—to dispose of wastes safely.

6. New plant construction includes the most efficient equipment and processes. Older plants are being retrofitted with cleaner processes and technology.

7. We've voluntarily created a Hazardous Waste Response Center that offers teams of industry experts to Federal, state and local governments whenever advice or help is needed with waste-disposal problems.

8. We've developed programs which encourage chemical industry employees to submit cleanup ideas. At one company, this helped eliminate 95,000 tons of air pollutants each year.

9. We've developed pollution control equipment like molecular sieves to trap and control gaseous wastes before they can escape into the atmosphere.

10. We're using aeration, biological treatment, flotation, separation and other methods in various combinations to create multi-function total systems for cleaning up our wastewater.

11. We have mobile environmental laboratories traveling the countryside to sniff out emissions and pinpoint their source.

12. We're using instruments like the gas chromatograph-mass spectrometer to detect materials at levels as low as one part per trillion. That is equal to one grain in an 18-foot layer of sand covering a football field.

13. We've intensified safety-training programs for chemical workers. Chemicals now rank as the second safest industry in the United States.

14. We've created CHEMTREC, a 24-hour emergency nationwide response system that provides information on how to handle chemical emergencies.

15. We've extended safety-training programs to include fire departments in plant communities and elsewhere. To date, we have helped train over 100,000 firemen throughout the nation in identifying chemicals and their possible hazards.

16. We've reinforced railroad tank cars with "head shields" and "shelf couplers" to help prevent ruptures and spills in case of chemical transportation accidents.

17. We've created the Chemical Industry Institute of Toxicology (CIIT). This $14 million facility will spend $27 million over the next three years to conduct more testing and research to assure greater product safety.

We've prepared five booklets to give more information on what we're doing to improve chemical safety. For copies, write: Chemical Manufacturers Association, Dept. BO-111, P.O. Box 363, Beltsville, Maryland 20705.

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Letters

Flak on AARPscam

Thank you for the eye-opener on Colonial Penn General, Inc. and the American Association of Retired Persons ["The AARPscam Caper," by Tony Capaccio, September]. In recent weeks I have talked to several elderly friends, all of them smart and educated people, who have been in a state of complete confusion over the cross-mailings they have received from Colonial Penn and AARP's new insurer, Prudential, concerning health insurance contracts. No subject throws more fear into the minds of the elderly, and no organization has exploited the situation more adroitly than the people who declared themselves the American Association of Retired Persons and then proceeded to cash in on one of the most vulnerable sectors of the population.

JAMES DOYLE
Bethesda, Maryland

It is not true that a variety of news stories "revealed that AARP, supposedly a nonprofit, educational and fraternal association for senior citizens, was actually little more than a sales tool for Colonial Penn General's [sic] group insurance policies." AARP is indeed a nonprofit educational association offering a variety of valued membership benefits and services, and one of the nation's most effective advocates for the needs of older citizens. It is also untrue that the changes made in former relationships with that company were made "either by court order or under the pressure of unfavorable publicity." No court has ever ordered us to change anything.

The most flagrant error—and journalistic abuse—was the repeated use of the phrase "defrauded senior citizens." We have never defrauded anyone.

The reason AARP agreed to settlement of the lawsuits, rejecting the validity of all charges, is alluded to in the article: "It's hard to understand why the plaintiffs' lawyers had to keep the meter running so long." Is it really? Without settlement, those meters might have run for years.

LLOYD WRIGHT
Washington, D.C.

Mr. Wright is director of public relations for the American Association of Retired Persons.

The firm of which I am a member, Shea & Gould, and our co-counsel, Kaufman, Taylor & Kimmel, represented the plaintiffs in *Conway v. Davis,* the subject of your article, and a related federal action. Your article is a rehash of charges made by attorneys for objectants to the proposed settlement of that suit. Such charges were argued at length to an independent referee appointed by the Supreme Court, New York County. That referee rejected the charges and recommended approval of the settlement. The matter will now be presented to the Supreme Court of the State of New York, New York County and the United States District Court for the Southern District of New York.

MICHAEL LESCH
Washington, D.C.

Guilty with an Explanation

Your dancing on the unkempt graves of Julius and Ethel Rosenberg ["Tilting at Windmills," September] smacked of the very knee-jerk reportage I thought you condemned.

Have you read a fraction of the 100,000 pages of FBI files obtained by the Meeropol brothers under the Freedom of Information Act—documents that suggest ex parte conversations between judge and prosecutors, forgery of evidence, and manipulation of trial testimony? Have you read Walter and Miriam Schneir's book, *Invitation to an Inquest,* which compares pretrial statements by key witnesses Harry Gold and David Greenglass with their entirely different trial accusations? At best, the FOIA documents indicate the Rosenbergs received a shambles of a trial. At worst, they fried in 1953 for a crime they never committed.

PAUL FISHMAN MACCABEE
Minneapolis, Minnesota

The editor replies:

I did not say the Rosenbergs got a fair trial. I said I thought they were guilty. At the time the case was tried, I followed it with extreme care. They seemed such unlikely spies that I found it very hard to believe the evidence against them and did so only when it finally became overwhelming. I do not believe they should have been executed, however.

Scrutiny and the Bounty

As someone who casually knows a great many journalists, both quality and popular, and who was rather a close friend of Shelley Ross during the approximate time of the contest you describe ["I Killed Gig Young!" by Jay Gourley, September], I can't resist a few comments.

Even with the blind luck (blind drunk, as fortune had it) of the Balfour team, it is inconceivable to me that five or six men could have defeated fairly the Shelley Ross I knew, no matter how lucky they were. Conversely, it is both conceivable and appropriate that Ross is now

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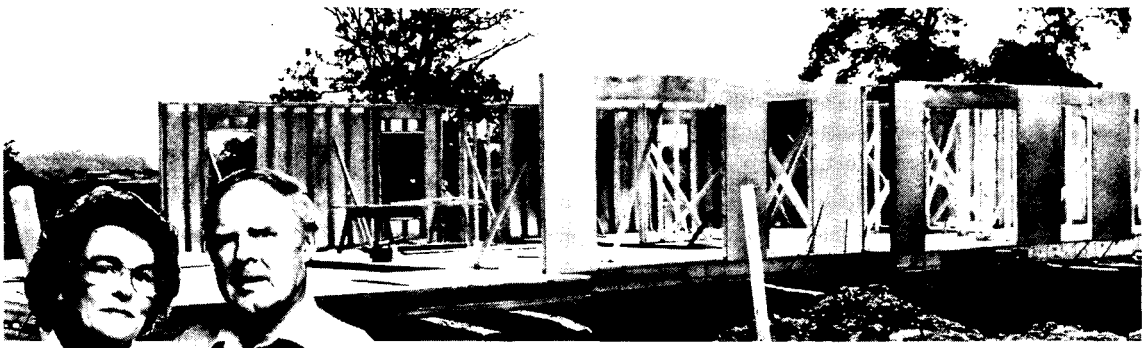

Paul and Janet Casey, homeowners

America has the most productive forests in the world with the potential to grow a great deal more.

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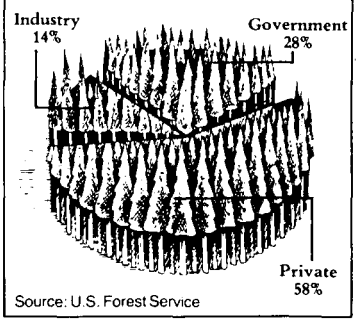
American Forest Institute

WHO OWNS AMERICA'S COMMERCIAL FORESTS?

Commercial forest acreage owned by the forest industry, government, and non-industrial private owners.



Source: U.S. Forest Service

*"Commercial forest" is all forest land whether owned by individuals, government or the forest industry that is capable of, and available for, growing repeated crops of trees for harvest. It includes land in National Forests but not in National Parks or Wilderness areas.

THERE'S A GROWING POTENTIAL IN OUR FORESTS.

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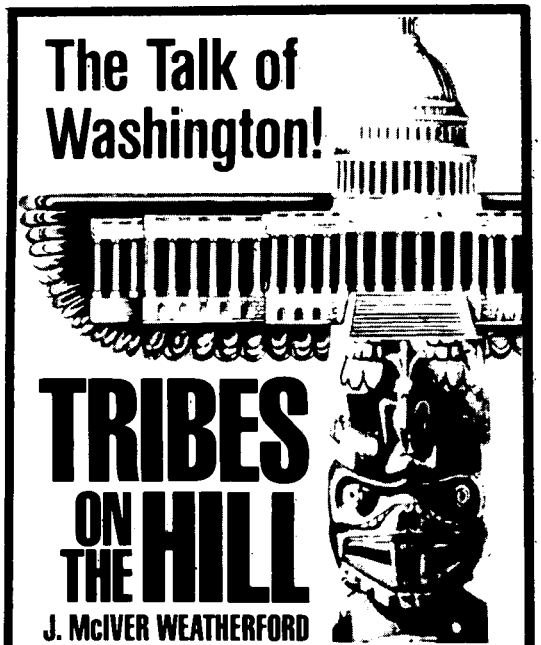
The Talk of Washington!



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RAWSON WADE

employed, to my understanding, by the *NE* of the airwaves, "The Tomorrow Show."

The assignment detailed so merrily by Gourley is nothing compared to some I know Ross had. My personal favorite involved her traveling to a remote mountain village in Japan to view a bleeding icon, and to verify its authenticity, trying to convince the Japanese Catholic priest to allow her to have the icon taken by ambulance to the nearest hospital for x-rays.

From what I know, Gourley's article was accurate enough to pass even the scrutiny of the *NE*'s editors—and they scrutinized, according to Ross, far more than the average "quality journal." Were it not for the gut-twisting pressure to produce and verify, I think working for the *National Enquirer* would be the experience of a lifetime.

LIZ OSTROFF
Miami, Florida

Anglophobe

I was quite surprised that a social services department declared a Lancashire couple ineligible to adopt a baby because they hadn't had any "negative experiences" in life ["Tidbits and Outrages," September]. The agency completely overlooked the fact that the couple resides in Great Britain.

ROBERT KOLSON
Chicago, Illinois

Air Oblivion

I thought you did a great job with your article ["All Aboard Air Oblivion," by Gregg Easterbrook, September].

MELVIN R. LAIRD
Washington, D.C.

Mr. Laird was secretary of defense during the Nixon administration.

As a former U.S. Army helicopter pilot with Vietnam combat experience (1967-68), I was drawn to your story on army aviation. Early in my reading I began to make mental notes for the letter I planned to write to correct the article's glaring fallacies. Eventually I realized it was written with an ignorance of such depth as to be laughable. So here is my comment:

HAHAHAHAHAHAhohohohoho guffawguffaw (choke) sniggersniggerheeheehee.

J. A. DONOGHUE
Silver Spring, Maryland

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The author replies:

I find it a sad commentary on these hectic times that Mr. Donoghue could not spare so much as a single minute to name one of the "glaring fallacies" of my article.

Exceptional

I was impressed by your article about the Frank Snepp case ["Slaying the Message," by Jonathan Alter, September]. There is not much in current American journalism that is written with any perspective at all. Your article is an outstanding exception to that rule.

FRANK B. GIBNEY
Chicago, Illinois

Real Life on the Mississippi

Your comments regarding military service are well taken ["Tilting at Windmills," September]. I detect no small amount of class-ism in those who shun the military as a career for themselves or their children. Progressive-thinking people ought to encourage others of like mind to enter the military; that will be the best way to prevent it from being totally segregated from scrutiny and control.

By the way, I did not serve in the armed forces. When I graduated from high school in 1967, I, like many others, automatically went to college and obtained a deferment. I wonder from time to time about the wisdom of that move.

KELBY D. FLETCHER
Seattle, Washington

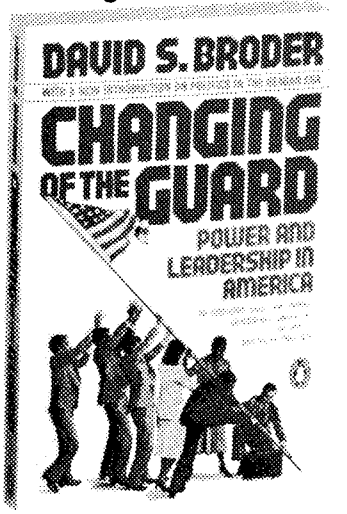
Telling your son to take a couple of years off was good enough advice. But why was military service the only option you gave him? Aren't there Hucks and Jims in the local service station, short-order hash-house, copy room, construction site, or any local union hall? What about the selfless people tutoring slow learners, cleaning rooms in hospitals, living at juvenile detention centers, and shepherding the senile in nursing homes?

Two years in the military is a cloistered way to learn how most people live. Better to learn about people in their real environment—and to serve people now deprived of community services so the military may flourish.

As far as I can tell, the only quality distinguishing those who have been in the service from those who haven't is that the former would like the rest of us to believe military service improved them. Assertions are not evidence.

CAROLINE KREBS
New York, New York

"Introducing America's future"*



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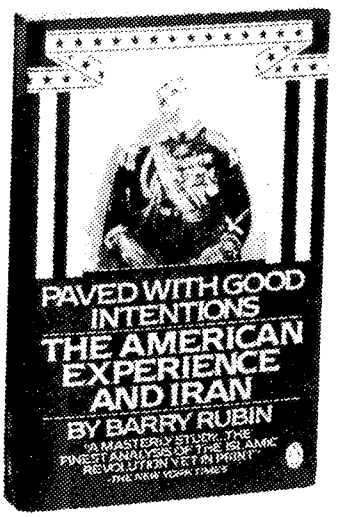

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Tilting at Windmills

The poor who have been deprived of government assistance will surely be comforted by these words from David Stockman: "If a man's overweight, you may solve the problem by persuading him to cut down eating. But a surer way is to cut off his food. That works every time." It certainly does—and soon solves all his other problems as well. . . . Did you know that Admiral Rickover takes command of nuclear submarines when they are on test runs? The admiral is now 81 years old and his reaction time is not what it used to be. This summer, while commanding the submarine *La Jolla* in its first sea trials, he is reported, by failing to give a timely order to stop the engines, to have come within a whisker of causing the ship to plunge out of control. He is said to have made the same error during the tryout of another submarine a few months earlier. Admiral Thomas Hayward, chief of naval operations, denies there was any danger. All of which makes me glad my son didn't take my advice to join the navy. . . . With Conoco's acquisition by Du Pont, the du Pont family now owns a substantial interest in seven utility companies, ten petroleum refining companies, 13 nuclear fuel firms, 13 coal companies, and 13 natural gas producers. This doubtless means that the number 13 will have its usual significance for the rest of us. . . .

With unemployment already too high and threatening to grow, it is time for a counterrevolution against a main tenet of the women's movement, the one that holds that self-respect depends on salaried employment, the one that means that many women who

don't need money are competing for the limited number of paying jobs available with people who do need money.

Until the late sixties, most women who could afford not to work didn't work—for pay, that is. Many of them did use their skills and intelligence in volunteer work. When I was a member of the West Virginia legislature in the early sixties, the members of the League of Women Voters—most of whom were reasonably affluent housewives—were the most effective public-interest lobbyists. Because they had time to study, they knew the issues better than their husbands, who, after an exhausting day at the office, wanted a drink, dinner, and a good television show far more than a discussion of Senate Bill 203. And again, because they had the time during the day while their husbands were at the office, they could patrol the halls of the capitol while the legislature was in session, buttonholing the members and getting their views across.

But by the end of the sixties, women of this kind had begun to feel they would be scorned by their sisters unless they got a paying job, that they could no longer pursue unsalaried work no matter how useful and stimulating it might be. This was a loss for them and for the rest of us. It also contained an element of cruelty because affluent women began taking paying jobs that could have been filled by people who really needed the money.

Men have done the same thing—and for much longer—taking salaries they really didn't need simply for the ego gratification involved. There have been exceptions, like the business executives who came to Washington to work for the government for a dollar a year during World War II, and who should be an example now for everyone who can afford to work without pay. Working without pay, for those who can afford to do so, should be a badge of honor, not a cause for disrespect. Let's leave the salaries to those who need them. If you are fortunate enough to have money and not have to work for it, why not free yourself from the chains of paid employment and seek work that satisfies your heart and soul? . . .

Speaking of the rich, or more specifically of those who have been rich since birth, most of them seem to me to have a dependency problem greater than anyone on welfare. The reason for their problem is the vast assortment of people—attorneys, accountants, bankers, brokers, servants, and advisers of all kinds—who need to make the rich person feel dependent on them and their services. So from earliest childhood, those born into money are subtly and not so subtly informed by one person after another that they can't handle things on their own, that they need his help, his advice, to get through the day, the month,

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the years. When I finally figured this out, it helped explain the curious mixture of spoiled-child arrogance and what-should-I-do insecurity that has characterized many of the truly rich that I have known. . . .

In the reductions-in-force (they're called RIFs) that are now going on in the federal government, there is a danger that should concern you. As the reductions occur, senior people who have been RIFed can "bump" junior people and take *their* jobs; the brighter and abler junior people who can easily get jobs outside tend to do so before they get bumped—which in turn means that the best and brightest are leaving the federal service while those who can't get jobs elsewhere are hanging on for dear life. . . .

Not long ago in the course of an interview with Hedley Donovan of *Fortune*, Ronald Reagan said that "business leaders are probably a better indicator than are people on Broadway—Broadway, that's a Freudian slip, isn't it—on Wall Street."

Reagan is the first president since John Kennedy to have a decent sense of humor, and for that we should all be grateful. But I'm not sure we should be grateful for his background in show business. In fact, I think that background has a lot to do with his main weakness—laziness. A president need not be the kind of workaholic that Jimmy Carter was, but he does need to do his homework well enough to be able to cross-examine his subordinates on the programs they advocate. This Reagan clearly failed to do in the case of the Pentagon budget.

Reagan has spent most of his life not having to do homework. For a movie actor, a hard day consists of learning a handful of lines, spending a few minutes before the camera, and devoting the rest of the day to sitting around shooting the breeze with cast and crew while scenes are set, lights adjusted, and cameras focused.

By failing to take advantage of his opportunity to cut the defense budget, Reagan missed his "China opening." Just as Nixon used his anticommunist credentials to get away with resuming relations with China, Reagan could have used his pro-defense reputation to give conservative credibility to sensible reduction of the Pentagon's budget. . . .

California has enacted the kind of drunk-driving law that might really reduce the slaughter on the highways. Offenders will no longer be able to get off with a fine. They will either have to spend a minimum of two days in jail or suffer a 90-day license suspension. . . .

"Rank in government," writes my friend Mike Causey, "has its privileges. And one of them, if you rank high enough, is that you get your own private washroom, fresh towels daily, and that sort of thing. And one of the things that really irks a VIP is to walk in and find an unauthorized person in the executive john.

"Which is one reason the director of the Veterans Administration has a new lock on his door. And why there is now a full-time guard outside same. And why VA is planning, at a cost of around $10,000, to take out the 'compromised' code system and install a key lock on the private, executive elevator that leads to the private tenth-floor executive suite, which leads to the once-private executive bathroom.

"It seems that last week VA Administrator Robert P. Nimmo and an aide returned to the headquarters building around 7 p.m. to catch up on some paperwork. They took the private elevator up through the mostly dark building and were very, very surprised to find a member of the cleanup crew in the VIP john. VA sources say the man was not cleaning up."

In its crusade against unauthorized elimination, the VA, in addition to calling in the locksmiths, is now providing a guard for Nimmo's office. . . .

Since the West Germans are rioting against the presence of our troops on their soil, why don't we just remove that presence and solve the problem? As we have often pointed out in these pages, it seems absurd for this government to run crippling deficits—remember NATO will cost us $81 billion this year—to finance the defense of nations in far better fiscal condition. . . .

The Democrats are being terribly irresponsible in simply attacking, without offering an alternative, the administration's efforts to face the coming problems with social security and federal pensions. Why not come up with a program that reflects the party's traditional concern for the poor but that is still economically feasible? One way to do that would be to eliminate social security payments for people who do not need them. That would mean saying social security will no longer be treated as an unconditional annuity program, but as a program of insurance against need. My rich Aunt Alice would no longer be able to use it for her trips to Europe, but my poor Aunt Minnie would be taken care of.

As for federal pensions, one answer is to change the minimum retirement age for civilian employees from 55 to 65. Another is to have military employees, who can now retire as early as 38, wait until 55 or 60 unless they have actually suffered some physical disability that justifies early retirement. Of course such changes would have to be phased in with decent regard for the expectations that have been aroused in those who are close to retiring. But the reforms are sensible enough that I'm confident they would be accepted by most people. . . .

A West German shipbuilder has made the United States Navy an offer it shouldn't—but you just know it will—refuse. The offer: a money-back guarantee on a diesel submarine. If the Navy is not

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satisfied with the ship, the German company will take it back. Why will the Navy refuse? Because the offer violates three of its most sacred prejudices: the admirals dislike diesels, foreign builders, and smart business deals of any kind. It also goes against the Navy's stubborn and stupid preference for a few large, expensive nuclear submarines instead of a lot of small subs that would be harder for the Russians to keep track of....

Until ten or 15 years ago, middle-class Americans assumed that they would pay for their children's college education, that it might be something of a strain, but that the cost would be in the ballpark of what was possible for them. That is of course no longer true for most middle-class parents. They must now borrow, and borrow heavily, to pay tuition and related costs.

A similar change has occurred with the automobile. From the Model T until the 1970s, the cost of a new car was easily in the ballpark for most Americans. Now, if it's not completely out of the park, it's at least in the far reaches of the upper deck. I haven't bought a new car for years (I bought three during the sixties), and, while my case may be extreme, it will not be so for long if recent trends continue. That is why I applaud Chrysler's attempt to hold the line on prices for its 1982 models. This policy, if accompanied by some interest-rate mercy from the Federal Reserve Board, and if followed by Ford and GM, could revitalize the American auto industry. To hold the price line, Ford and GM—Ford particularly—could use the same kind of break on wage costs that the UAW is giving Chrysler—without which, according to Lee Iacocca, "we couldn't even get into this kind of price freeze."

A union that did not give such help was the one representing the workers at the Schlitz brewery in Milwaukee. The brewery was not making a profit—in fact it was operating at about 40 percent of capacity in an industry where 80 percent is generally considered necessary to stay in the black. So what did the union do? Four months ago it went out on strike asking for higher wages and more benefits. Last month Schlitz closed the plant and all 700 workers now have no wages at all.

Of course, as with the car companies, management ineptitude had a lot to do with Schlitz's downfall. Here's how they did it, as told by William C. Rempel of *The Los Angeles Times*:

"Schlitz's management, looking for a way to increase efficiency, fiddled with the formula. By using less barley malt, substituting cheaper corn syrup, and adopting a new process that cut the brewing cycle in half, company managers thought they had found a way to satisfy stockholders. Loyal Schlitz beer drinkers rebelled, however, and switched to the competition."

The corn-syrup brew, let me assure you, tasted only slightly on the plus side of hydraulic fluid. But it's all moot now, because not only is Schlitz closing its factories, it's being bought out by another beer company. Let's hope both sides learn a lesson from this story. Consumers really can tell a good product from a bad one, something modern management types try to deny. And companies can give raises only if they're making profits, a reality modern labor leaders would rather not face....

And, speaking of modern labor leaders, perhaps you missed the reports of this year's Teamsters convention held in (where else?) Las Vegas. President Roy Williams had promised a democratic convention and Jackie Presser, the noted reformer and idealist who serves as the union's director of communications, issued a statement assailing journalists for suggesting it might be otherwise. Here, according to William Serrin of *The New York Times*, is what happened:

"Speakers who disagreed with the leadership were continually hooted down by delegates and continually disrupted ... a speaker who asked for a show of civility toward all speakers was greeted with calls of disapproval. A similar reaction was received by a speaker who asked Mr. Williams to ensure that persons opposing union leadership be allowed to speak." These free and unfettered delegates then voted to raise Mr. Williams's salary from $156,000 a year to $225,000....

One of the problems confronting the money market investor—see Gregg Easterbrook's article beginning on page 30—is that the SEC is a very small agency. It seeks to protect investors against fraud. But if other things go wrong, the SEC is not equipped to handle complaints. For example, a friend of mine says she is owed a substantial sum in dividends and interest by Merrill Lynch. When, after suffering six months of inaction by Merrill Lynch, she called the SEC to complain, she was told that they couldn't do anything for her. They suggested she try arbitration....

Les Aspin, the congressman from Wisconsin who used to work at the Pentagon and still has some friends there who give him tips on the latest misdeed of the military establishment, is the man who found out that Caspar Weinberger has been using military planes as if they were Air Force One and he were president. During the summer he made at least five flights, accompanied by members of his family, to the vacation resort of Bar Harbor, Maine. The flights (at government expense) were in planes belonging to the 89th Military Airlift Wing, which is supposed to provide transportation for high officials "on official business on a schedule that does not make commerical flight feasible."

The secretary has been telling us how impossible it is to find cuts in the defense budget. Now we can suggest at least one to

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him.... Aspin has come up with another morsel—and another budget cut for us to urge on the Pentagon. It seems that the Navy has an executive dining room in the Pentagon where lunches are subsidized as much as $31 each. I must warn you, however, that exposure of this subsidy, or even congressional action to try to eliminate it, does not mean that the military will eat less well.

Let me quote from a noted authority. In *How Washington Really Works,* I explain:

"In 1974 it was discovered that lunches served in the Pentagon's Army General Officers' Mess cost taxpayers an average $12.03 each. When exposed, the army announced reform: 'Meal prices must be sufficient to cover operating expenses and food costs.' Did the generals give up their $12.03? Not on your life. They redefined expenses to exclude such items as stoves, utilities, and waiters' and cooks' salaries."

This kind of dining has a lot to do with what I suspect is the real reason the Navy won't buy those small submarines. Naval officers spend their careers looking forward to the day when the good things of life will be theirs, whether it's the accoutrements of a top job at the Pentagon, the gracious homes provided senior officers at shore bases, or the captain's quarters on a large ship, richly furnished with a dining table set with gleaming silver and served by attentive Filipino stewards. There are no such quarters on small submarines or on the other small ships we need now. But there will be plenty of room for them on the supercarriers and the giant Tridents the Navy is building, and on the battleships the admirals are bringing back from moth balls. The trouble is that the ships big enough to have the right kind of captain's quarters are also big enough for Russian missiles to locate and destroy....

I have before me on my desk three pieces of mail that have one thing in common—each offers something outside the sender's usual line of work. One from Washington Gas is selling life insurance, another from the Book of the Month Club advertises a nightgown with "the look of fine French lingerie," and, finally, the American Civil Liberties Union offers packaged tours, including "Montego Bay Unbelievable $349" and "An Incredible Week-Long South American Bargain Vacation."

Next time you let the gas man in to read the meter, be prepared for him to put his arm around your shoulder and say, "Sam, have you thought what would happen to Marge and the kids?" And can't you see the Book of the Month Club judges locked in earnest debate about the relative merits of Maidenform and Lily of France? But what worries me most is the defendants languishing in jail while the local ACLU is in Acapulco—"Unbelievable for Only $499."...

Socialists maintain that there is no good in the profit motive. But what about the reduction in the proof (alcohol content) of gin and whiskey that has taken place in recent years? The liquor companies are richer—just look at Seagram's—but we are soberer....

Shortly before its demise, *The Washington Star* published an article called "The Public Facilities on Which America is Built Are Wearing Out." Its message seems so important to me that I quote it here at some length:

"For almost a decade, America's public facilities have been wearing out faster than they have been replaced. Today, one of every five bridges requires major rehabilitation or total construction. The nation's Interstate Highway System has deteriorated to the point that almost one of every four miles requires replacement. Conrail faces the prospect of abandoning half of its lines. One quarter of the nation's 1,500 prisons are so antiquated, crowded, and inadequate that riots are a constant hazard, or, as in Florida, judges are forcing the early release of some criminals to allow the jailing of new inmates. In Albuquerque, New Mexico, one third of all sewer lines have decayed to the point that trucks traveling over them frequently cause the collapse of lines and covering streets. Half of the water mains in the District of Columbia require replacement. In New York City approximately 100 million gallons of water are lost daily through leaks in old water lines.... Measured against the value of the nation's Gross National Product (GNP), public works investments declined from 3.6 pecent of GNP in 1965 to 1.7 percent in 1979—a 53 percent decline.

"After almost two decades of underinvestment, the nation now faces an enormous backlog of public works investments. For example, the costs of rehabilitation and new construction necessary to maintain existing levels of service on non-urban highways will exceed $700 billion during the 1980s. Even excluding the estimated $40-70 billion required to complete the final 1,500 miles of the Interstate System, the balance required for rehabilitation and new construction of other highways is still greater than *all* public works investments made by *all* units of government during the 1970s. Yet highways are only a part of the nation's backlog of public facilities that must be rebuilt during this decade."...

Age is our main problem—aging people who require immense sums for health care and income support, and an aging physical plant, both public and private, that is in urgent need of renewal. The problem is close to overwhelming and the funds for its solution can be raised only if we are both intelligent and resolute in reducing expenditures that aren't truly necessary—weapons that aren't essential, for one example, and salaries and pensions for people who don't need them, for another.

—*Charles Peters*

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The Story That Wouldn't Die

*It's easy to believe that housing discrimination has been "solved"—until it happens to **you.***

by Howie Kurtz

At first it didn't seem like much of a story. When one of my editors at *The Washington Star* suggested in the summer of 1980 that I take a look at housing discrimination in the Washington area, I accepted the assignment with less than total enthusiasm. Housing bias had about it the smell of the sixties, the feel of a dog-eared book thumbed once too often. Besides, housing discrimination had been a federal crime for more than a decade, and there were a host a government agencies designed to deal with it.

But an assignment was an assignment, so we decided to try the hallowed method of hitting the streets and looking for apartments. I enlisted the aid of Hazel Robinson, a soft-spoken, well-dressed black reporter. We used the standard approach of "matching" ourselves on as many characteristics as possible so we would differ only according to race and sex. We would use our own names; we would both say we were single free-lance writers, 25 years old, earning $22,000 a year.

We combed the classified ads for offerings in our income range in the more affluent neighborhoods of Washington and its suburbs. I expected to be in for a lot of wasted time. Any kind of discrimination we might encounter, it seemed to me, would be too subtle to detect with this kind of test.

The first ad we answered promised "spacious, sunny apartments" in Cleveland Park, the predominantly white area west of Rock Creek, which serves as a sort of racial Mason-Dixon line through most of northwest Washington. At 11:30 a.m., Robinson called the number the ad gave. A woman told her two one-bedroom apartments were available, one for $440 a month and the other for $455. When Robinson arrived at the address, 2901 Connecticut Avenue, a few minutes later, she told the rental agent, "I'm responding to your newspaper ad about a . . ."

"I'm sorry, but I just rented my last two apartments," the agent said quickly.

"But I just called here a half-hour ago," Robinson protested.

"I know, I'm sorry, but I rented the last two one-bedroom apartments we had," the agent said, adding that she had already taken security deposits on both. When Robinson mentioned she was looking for something around the beginning of September (the following month), the agent suggested she check back later but said, almost in the same breath, "I'm sure we won't have any more vacancies in September."

Hazel Robinson, right, was turned away from these apartments in Northern Virginia. Three hours later the same agent offered the author a one-bedroom apartment.

Howie Kurtz worked for The Washington Star *until it folded in August. He is now a reporter for* The Washington Post.

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At 3:05 that afternoon, I called the same agent and said I was looking for a one-bedroom apartment. "I have one for $440 and one for $455," she said. Was she certain they were still available? I asked. "Nobody's seen it," the agent assured me. "Nobody left any money this morning."

Two days later, when I went to the same address, another agent gave me a tour and suggested I fill out an application. A large sign on the front lawn said "Apartments Available."

I called NDC Management Co. of Pittsburgh, which runs the building. "I'm not saying this didn't happen, but it's an isolated incident," Wayne Janczweski, the firm's property manager, insisted. "As far as I'm concerned, there's no prejudice. Our manager gets along very well with blacks. In fact, our whole maintenance staff is black."

Another morning, a rental agent for South Four Towers in Arlington, a Northern Virginia suburb, told Robinson over the phone that a one-bedroom apartment for $384 a month would be available on October 1. When Robinson visited the building that afternoon, however, the agent said, "I don't have a thing available. I haven't received any notices about vacancies for October 1." Three hours later, when I called South Four Towers, the same agent told me she had a one-bedroom available. The next morning I went out to the building. I asked her whether anything would be opening up around the beginning of October. The agent ran her finger down a handwritten list and said, "Yes, I have a 'D' apartment coming up that would be available October 1. It's for $384. It's on the 11th floor." She was very friendly as she gave me a tour.

Just a record-keeping error? I later called Colonial Investment Co., which runs the complex. Joan LoPresti, the building manager, told me, "We're not a discriminating company." She explained that the agent "might have been in a hurry and misleadingly said there were no vacancies. I've seen her do it to white people."

While I wondered what kind of firm would make a practice of turning away prospective tenants, black or white, Robinson was getting even chillier treatment from an agent at another building on Connecticut Avenue. As she escorted Robinson to an apartment, the agent walked at least 15 feet in front of her at all times. She didn't say a word as they rode up in the elevator, and she described the unit's features so quickly Robinson couldn't make out what she was saying. As they headed back to the office, Robinson asked where the laundry rooms were. "On each floor," the agent shouted from 15 feet ahead. Robinson asked where the vacant apartment was actually located. "In the old building," she yelled, without explaining what (or where) the old building was.

Maybe the agent was just having a bad day, or maybe she attended a salesmanship course that evening, for when I visited the following morning, she was warm and cheerful. She strolled closely at my side and touched my arm as she pointed out the tennis courts and other amenities.

In most instances, however, Robinson encountered no hostility. At Georgetown Mews, an apartment complex in one of the city's most exclusive sections, a friendly agent gave Robinson a detailed tour and suggested she make a decision promptly because units were going fast. That may be a high-pressure tactic, but at least it is biased only toward a sale. All told, in 26 visits we found four instances of blatant discrimination, with several others that were varying shades of gray. That doesn't sound too bad—unless, of course, you're one of the victims. Then you might feel differently.

Take Michelle Hunter, a 27-year-old black computer operator who found out just how unpleasant it can be when she moved to Washington in 1977. She answered a "for rent" ad and was told over the phone that an apartment was available. But when Hunter rushed over to see it, the rental agent said, "I'm sorry, I just rented the last apartment. In fact, a gentleman is here to sign the papers."

Though Hunter didn't question the turn of events, a friend was suspicious and called the

2901 Connecticut Avenue, right.

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"It can't be because I'm black or female," said Michelle Hunter when turned away from the apartments below. "People don't do that anymore."

number in the ad while Hunter listened on an extension. She heard the same rental agent say the apartment was still available. "It just crushed me," Hunter says. "I thought, 'It can't be because I'm black. It can't be because I'm female. People don't *do* that any more.' But then I realized that they do."

Hearing about what happened to people like Michelle Hunter and knowing what happened to Hazel Robinson, I was no longer bored by my assignment. In fact, my adrenaline began to flow as I wrote the story. But when I turned it in, the editor-in-chief of my paper chose not to run it. Some people thought he didn't want to risk the anger of real estate advertisers; then again, maybe he was just bored, as I had been, by the thought of another story about racial discrimination.

I tried to sell the story to other publications, including this magazine, where real estate advertising can't be a factor because there isn't any. *The Washington Monthly*'s editor said he thought most readers would ignore a discrimination story, no matter how worthy, unless it had a "fresh angle." I tried to tell him that magazines like his had a duty to remind readers of what's wrong with the country, whether they liked it or not. After a personal experience this summer of the continuing reality of bigotry [see the last item in "Tilting at Windmills," September], he gave in.

False Teeth

People may be tired of discrimination stories in part because they feel they have done all they can do. They have, after all, supported those bold laws that were passed in the sixties. And it is true that the kinds of exclusionary practices Hazel Robinson encountered are illegal under the Fair Housing Act of 1968.

The catch, however, is that the law has almost no provisions for enforcement. The Department of Housing and Urban Development, which is charged with upholding the Fair Housing Act, has no legal power to crack down on recalcitrant rental agents. All HUD officials can do is try to persuade tenants and realty firms to reach a voluntary compromise, an approach that fails nearly half the time.

"We often have to tell people that we're sorry, but there's nothing more we can do for them," said Jerry Norris, HUD's assistant general counsel. But even in the toothless HUD bureaucracy, he added, a complaint can take years to run its course. "This is a perfectly fine remedy for an upper-middle-class person who's concerned about his rights, but unfortunately it's not a realistic

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thing for someone who just wants to rent an apartment."

If HUD can't mediate a settlement, officials at the Justice Department have the power to prosecute. I quickly discovered that Justice hasn't brought a housing discrimination suit in the Washington area in eight years. Robert Reinstein, chief of litigation for the department's civil rights division during the Carter administration, told me Justice doesn't have the resources to go to court on behalf of individual plaintiffs. Yet he conceded there was often reason for action. When tenants file complaints with HUD, he said, "many landlords just stonewall it. The result is that the average person says, 'The hell with it, I'll rent another apartment.' "

Justice does bring approximately ten "pattern or practice" suits each year against major real estate firms or large apartment complexes, and these cases have the potential to open up great numbers of units to wronged tenants. But such cases are usually settled by consent decrees and promises of better behavior in the future, solutions that don't help the current victims.

Perhaps, as the Reagan crowd keeps telling us, the most effective government is the one closest to the people. But officials at many of the Washington area's human rights agencies were the first to admit that they, too, have a dismal record on housing discrimination. There is no shortage of work to be done, since the files of these agencies are bulging with complaints from people who say they've been discriminated against because of age, sex, marital status, ethnic background, religion, sexual preference, or physical handicap. But most of these complaints have received as little relief as the more widespread and serious cases charging racial bias.

The District of Columbia's Office of Human Rights, for example, has 50 employees who handle a broad range of discrimination complaints. But lawyers who grapple with that agency say its bureaucratic wheels grind so slowly that it takes years to resolve the simplest case. The office, I found, had received 133 housing bias complaints since 1975. Some proved to be frivolous, some were dropped, but five years later, only two had actually progressed to a public hearing.

At the other extreme is Arlington County, Virginia's, Fair Housing Board, which has just one paid employee. "I am it," said R. Hamisi Ingram from behind his cluttered desk. "I'm the fair-housing coordinator, the investigator, the conciliator, the statistician, and the file clerk. I'm everything."

While the number of housing discrimination complaints in Arlington County has tripled in the last two years, all Ingram can do about them is cajole landlords into settling. In theory, the agency has the power to subpoena records, hold public hearings, and impose penalties. But Ingram says he's never actually been able to do any of those things. "Landlords are a powerful force in this county," he told me. "Sometimes I send landlords a letter and they just ignore the hell out of it. They figure we're just an unknown agency with no clout and maybe we'll just disappear."

Things are even bleaker in Fairfax County, in Virginia, the area's most fashionable suburb, where the human rights commission can do nothing more than issue nonbinding recommendations. It's little wonder that nearly every federal and local official I interviewed there said only a fraction of the people who feel they have been discriminated against bother to file complaints.

The only remaining avenue of redress for these victims is federal court, but most are scared away by delays averaging two years and legal fees they cannot afford. Rod Boggs, director of the Washington Lawyers Committee for Civil Rights Under Law, a small group of attorneys who donate their time to work on bias cases, explained the situation faced by anyone wanting to hire a private lawyer. "Even at $50 an hour, a very low rate, your fees could easily run to $15,000," he said. "That's an enormous hardship, especially compared to what the plaintiff can realize if he's successful, which is rarely more than $2,000."

Some people are unlucky enough to run into problems in more than one place. Darlene Lucas is white, her husband black. In June 1978 she visited the Eastdale Apartments in Prince George's County, Maryland. She says the resident manager warned her that blacks were not welcome there. According to her lawsuit, the manager told her only one of the building's 68 tenants was black and that he "got in by mistake."

Next Lucas went to the neighboring East Pines Apartments. She says the agent insisted on meeting her husband, then refused to take a deposit when he arrived. The next day, she was told the apartment had been rented.

Both buildings, it turned out, were run by Kay Management Co. The Lawyers Committee filed suit on Lucas's behalf, and a year later the realty firm agreed to pay $22,500 and promised not to discriminate in the future. A spokeswoman for Kay Management told me she wasn't familiar with the case but that the company does not discriminate.

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A real estate agent gave Marilyann Williams, also a realtor, an "unwritten rule" about a ritzy section of Washington: "We don't show to blacks in that area."

Upwardly Immobile

There are those who argue that this is all a matter of economics. The real reason blacks are excluded from affluent neighborhoods, they say, is that they simply don't have the cash. Some combination of low income and an unstable job history, not skin color, is what really stands in the black tenant's way. Once blacks work their way up the job ladder, the marketplace will welcome them with open arms.

Doubtless there is truth to this notion, but experience suggests mobility is far from a cure-all. Take the case of Dr. Henry J. Smith, a black physician. In 1976 he was looking for a home west of Rock Creek and was ready to pay more than $150,000 to get it. While $150,000 will barely buy a carport in today's overheated market, five years ago it was a commanding sum; few houses in Washington sold for more.

Smith's realty agent, Marilyann Williams, says an agent with D'Amecourt Real Estate told her of a large house with an outdoor pool on Garfield Street that seemed to fill the doctor's bill. Suddenly, Williams said, the agent inquired, "Is your customer black?" Williams said he was. "Oh, we don't show to blacks in that area," she says the agent replied. "It's an unwritten rule in the area. There's no sense wasting your time."

The firm later claimed this conversation was a misunderstanding and the house had already been sold. But two days later Williams had a friend call D'Amecourt and describe a house similar to what Smith was looking for. "Damned if they didn't tell him about the same house," Williams said.

A D'Amecourt spokesman said Smith's lawsuit "was never justified. We have turned down listings because the owners wanted us to discriminate." Williams says, "If I had called from a black firm, I wouldn't have gotten even that far. With a black agency, a lot of things will not be shown to you. A lot of houses are never advertised in the paper or signs are never put up on the lawn. And if you don't know it's on the market, you can't see it."

Phillip and Barbara Butler, a young black couple from the inner city, had a similar experience. The Butlers both work for the Government Printing Office. When they went house-shopping five years ago, they had a combined income of $42,000. They responded to a newspaper ad for a house in College Park Woods, a tiny Maryland suburb. College Park Woods has just 500 homes, set among winding roads and shielded from outside view by a dense thicket of trees. Its only access route is an unmarked road leading to the University of Maryland campus.

The Butlers fell in love with the white roofs and neatly trimmed lawns in this secluded town. What they didn't know was that College Park Woods was one of the area's lily-white enclaves. In 1970, census figures show, just two blacks resided there—both of them live-in servants.

According to a lawsuit they filed, the Butlers were met by an agent for Leda Hintze Real Estate. They said the agent refused to accept their bid for the house because there was already an offer on the table, although accepting multiple bids is a common practice in real estate. Barbara Butler even offered to write a check on the spot toward a bid $1,000 higher than the standing offer, but the agent would not take it. The next day he called to say the earlier offer had been accepted.

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Phillip Butler says he later phoned the owner of the house, who said he knew nothing about their bid and that he would have accepted it because he was looking for the highest possible price. The Butlers eventually found another house in College Park Woods, but they didn't like it as much as the first property, and it cost them $4,500 more.

During their lawsuit the Butlers hired George and Eunice Greer, two respected local demographers, to examine the company's sales records. The Greers found that about one-fifth of Leda Hintze's sales in the mid-1970s were to black families. Of the 45 homes the firm sold in College Park Woods, only three were to blacks. Most of Hintze's other sales to blacks were in such decaying, largely black areas as Hyattsville, Chillum, Adelphi, Lanham, and northeast Washington. If the firm's sales to blacks were plotted on a map, they would follow a broad crescent from the District line through the older, largely black communities inside the Capital Beltway, but stop short of the predominantly white outlying suburbs, a pattern that closely mirrors black migration in Washington during the last century.

The Greers' study uncovered something else that should interest those who believe that most housing discrimination is caused by minority buyers' inability to pay classy-area prices. In 1974, the average home sold by the Hintze firm in College Park Woods cost $56,600. No less than 22 percent of the area's black homebuyers paid *more* for their properties that year.

Leda Hintze insists, "We have never discriminated. We have open houses and everyone is welcome to walk through them." The Butlers eventually won a $10,000 out-of-court settlement from the company. But this was little consolation for their troubles. One night, soon after they moved into the charming little university town, someone burned a cross on their front lawn.

Steering But No Direction

Both Dr. Smith and the Butlers appear to have been victims of "steering," a practice that some believe is the most important factor in the racial composition of metropolitan areas. Steering allows real estate agents to avoid unpleasant confrontations (and lawsuits) by not showing black customers houses in white areas, so the customer eventually settles for something in a traditionally black area. Those areas have "moved" rapidly; the 1980 census figures show that over the last decade, thousands of black families have left Washington for suburbs that were once predominantly white. But a closer look reveals that steering, or something very powerful, is still at work in the Washington area, for most of the new black suburbanites have settled in certain towns and have been conspicuously absent from others.

If discrimination goes on in the nation's capital, what's going on in places where it isn't so fashionable to be open-minded?

Pleasantly affluent Fairfax County remains 89 percent white and just six percent black. Equally fashionable Montgomery County, Maryland, is 85 percent white and nine percent black, with roughly half the county's blacks concentrated in two of its aging towns, Silver Spring and Takoma Park. At the same time, Montgomery's ritzy Chevy Chase section has 4,897 whites and 40 blacks. The District of Columbia is 70 percent black overall, but its impoverished northeast and southeast quadrants—areas few congressmen ever see as they shuttle between Capitol Hill and their posh northwest neighborhoods—are more than 90 percent black. Statistics filed in a court case involving Washington's Legum Realty Co., which has operations all over town, reveal just how dramatic the dividing lines can be. In 1978, records show, Legum managed 13 buildings in Washington's posh areas: Georgetown, the West End (near the State Department), and the northwest area past Rock Creek. These buildings had 793 white and 37 black tenants—in other words, they were 96 percent white. The firm's 21 buildings in other parts of the city had 777 black and 153 white tenants—84 percent black. David Legum, the firm's president, insists Legum Realty does not discriminate and his buildings merely reflect the preferences of black and white tenants.

If housing patterns were simply a matter of preference, it would follow that blacks wouldn't be upset about the issue. But clearly they are. In fact, last December, housing discrimination suddenly surfaced as an issue on Capitol Hill. The House had sent the Senate a tough new fair-housing bill. It had passed the House by a single vote earlier in the year, but the Democratic Senate leadership had decided to put off debate on this controversial topic until after the election. Now the lame-duck Senate liberals were mustering their forces to push the bill through as a last hurrah.

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The legislation was designed to go beyond the insignificant measures HUD could take to resolve discrimination complaints. It would have set up a number of administrative law judges to rule on bias cases, order corrective action where necessary, impose fines up to $10,000, and refer blatant wrongdoers to the Justice Department for prosecution.

The bill provoked fierce opposition. The National Association of Realtors argued that its 735,000 members could be subjected to large fines without the benefit of a jury trial. The group found a receptive audience on the Hill, perhaps because its political action committee had contributed more than $1 million to congressional candidates in the past two years, more than any group in the country; in the 1980 Senate races alone, the realtors' PAC had handed out more than $158,000 to 54 candidates.

Senators Birch Bayh and Edward Kennedy, with the help of Republican Charles Mathias, tried desperately to get the bill to the floor. But Senator Orrin Hatch threatened to filibuster the measure until it was withdrawn. Hatch wanted victims to prove not only that discrimination had occurred, but that there was also an "intent" to discriminate, a far more rigorous legal standard. He also wanted housing cases referred to sitting court magistrates, a move that would entangle them in a cumbersome, time-consuming process. Under the Democratic bill, Hatch argued, "landlords will be subject to frivolous suits that will have a good chance of winning whether they're justified or not."

The Democrats hung in for days, and the issue of housing discrimination was getting a lot of press coverage. Most of it, however, focused on the political horse race among supporters and opponents, not on problems in College Park Woods. With Ronald Reagan packing his bags for the Oval Office and their committee chairmanships about to be ceded to the Republicans, the Senate Democrats couldn't produce the votes and finally gave up. Though the new Republican leaders quickly promised a more moderate fair housing bill would be one of their top priorities in the coming session, the budget for HUD has been slashed, other issues have moved into the spotlight, and, unless I missed it, Republican leaders have not uttered the words "housing discrimination."

If discrimination continues to be a problem in the nation's capital—a mostly black city, where people of both parties pride themselves on idealism, where the local government is nearly all-black, policed by several extra layers of bureaucrats, and stalked by hordes of overzealous journalists—then what is it like in the rest of the country? What's going on in places where it *isn't* fashionable to be open-minded on such issues?

As I wondered about housing bias out in the heartland, I considered another problem that dominates the headlines in Boston, Chicago, Columbus, Los Angeles, Wilmington, and elsewhere—school busing. If you think about it, it becomes obvious that so many of our schools are segregated because so many of our cities and towns and suburbs are segregated. No one likes to mention it in polite conversation, but housing patterns are what create the need for busing in the first place—even though it is a solution that in recent years has left most of us severely disillusioned. I certainly wouldn't want my kids sent off to a strange neighborhood every morning, and I can understand why other people—black and white—don't either.

Yet here we are, chasing the forced-busing "solution" all over the country, while averting our eyes from the real reason our schools become a racial issue. Most people I know seem perfectly content to keep fighting the wrong battle, at our children's expense. After all, housing discrimination is yesterday's story. □

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WHITE SLAVES

Why Nurses Lose Patience

by Donna Fenn

POSTERS COURTESY AMERICAN RED CROSS

Forget what you've heard. There's no shortage of nurses. None. According to the American Hospital Association, there are 400,000 registered nurses who aren't working, and 100,000 vacant jobs. That's not a nurse shortage. That's a surplus.

Why, then, are the Sunday classifieds filled with help-wanted ads from hospitals, some willing to pay finder's fees of $1,000 for a nurse? Why are the papers themselves full of alarming stories about understaffed hospital floors? Because many qualified nurses won't touch the job. And it's not hard to understand why. Nursing, besides being physically and emotionally strenuous, is a dead-end profession. Most nurses are denied any meaningful avenue to advancement. Perhaps more importantly, the vital bedside care they dispense is often looked down on by the prestige-crazed modern medical establishment. Nurses are saddled with the additional insult of not being allowed to perform many healing functions for which they are fully qualified.

Regrettably, the "nursing shortage" is calling forth the same kind of sterile marginal-supply-curve thinking that has clouded debate on other contemporary problems. The American Hospital Association is running slick television commercials that feature celebrities like Ed Asner proclaiming the joys of nursing. Many hospitals are offering new nurses fringe benefits like sign-up bonuses, free transportation, and day-care assistance. These gimmicks, however, don't address what's really undermining nursing. A revolution, not a media blitz, is needed to draw some of those 400,000 people back into the profession.

When you ask nurses what disturbs them today, the first thing they mention is usually low pay. Starting salary for nurses is not grand (the average is $13,000), although in large cities many nurses make $20,000, and part-time nursing jobs that pay $10 to $14 an hour can be financially attractive. But when nurses talk of their sorrows, they don't stay on the subject of money very long. They soon turn to problems like lack of respect, lack of responsibility, and lack of freedom to do

Donna Fenn is on the staff of The Washington Monthly.

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what they know how to do.

Experience teaches that people are more likely to become dissatisfied about pay when their jobs cease to be fulfilling in other ways. For decades, for instance, the armed forces had tens of thousands of career noncommissioned officers who willingly worked for what were, by civilian standards, shockingly low wages. In recent years career NCOs have seen much of their responsibility taken away by elaborate new Pentagon regulations and the oversupply of officers. No longer happy in their work, career NCOs have begun to leave the service in large numbers. Those who stay complain about their pay. The pattern is the same in nursing (as is the response—slick ad campaigns and fringe benefit packages instead of ground-level reform).

One segment of the population has never lacked respect for nurses—patients. To a helpless patient in a hospital bed, nurses are often much more important than doctors. Doctors may make the critical judgments and hold the knife during surgery, but nurses hold the patient's hand through the pain, uncertainty, and fear. Hand-holding is not only an important kindness, but has specific medical utility that can be as essential as skill with a scalpel.

One nurse, for instance, relates the story of a 17-year-old boy admitted with a spinal fracture.

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He was having trouble breathing, so doctors inserted a tube in his windpipe. The boy was so terrified of having a tube in his throat that he began to tremble; his pulse and respiration rose dangerously. His attending doctors wanted to knock him out with sedatives. They knew—and the nurse knew, too—that heavy sedation often leads to complications in spinal cases, but they didn't think there was any choice.

The nurse convinced them, however, to give her a chance to calm the boy down. She ended up talking to the frightened patient for several hours, explaining what needed to be done and reassuring him that he was better off with a tube. "I felt a sense of urgency because we had to bring his respiratory rate down," she said. "I also felt a need to succeed. The most demanding part of the incident was the frustration. Needing to remain patient—to keep an even temperament while repeating phrases for the umpteenth time." Finally the boy relaxed, and sedation was avoided. Later, after the worst was over, the boy, unable to speak, mouthed a "thank you."

Nurses serve other functions that, while unglamorous, have important roles in treatment. For example, the only round-the-clock record of a patient's physical and mental symptoms is found on the shift charts kept by nurses. For many conditions, long-term observation is a necessity. No matter how skilled a doctor may be, there are some problems he simply can't diagnose in a five-minute examination. Yet monitoring symptoms is a role the modern medical profession tries to play down; many doctors like to believe that sophisticated machinery and high levels of specialization can eliminate subjective human factors like observation.

Not all nurses, of course, are exactly angels of mercy. What's more, when they do have legitimate grievances, they are not without some representation. But the American Nurses Association is taking an approach that, if anything, is likely to drive even more people out of the profession.

The ANA believes that nurses will be respected only when they have degrees to wave at their heavily credentialed physician tormentors. As things stand now, a person can become a nurse in three ways: through the three-year courses given directly by hospitals, by getting a two-year associate nursing degree from a community college, or through a four-year bachelor of science degree from a university. The ANA would rather do away with "hospital schools" (which emphasize practical skills used in wards) and create two lev-

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Study for Red Cross poster by Gordon Conway, 1918

els of nursing based on the associate's and bachelor's programs (which emphasize theoretical knowledge). Helen Grace, dean of nursing at the University of Illinois, advocates mandatory bachelor of nursing degrees for *all* nurses. "In order for nursing education to become respectable," Grace says, "it has to get out of the hospital and take root in academia."

Notice that Grace does not say "in order for nursing education to produce good nurses." She says "in order for nursing education to become respectable." This attitude represents the Scarecrow Theory of the self-fulfilling credential. When the scarecrow complained to the Wizard of Oz that he lacked intellectual powers, the Wizard gave him a degree. This degree may not make you smart, the Wizard explained, but it will make people treat you as if you were smart. At a recent hearing of the National Commission on Nursing, one witness testified that "the unfortunate consequence of the low educational standard for nursing is the message that it projects—that [nursing] is not an intellectual pursuit. This perpetuates the false and demeaning myth that all one really needs to be a nurse is a strong back, a good pair of feet, and a kind heart."

It's not clear what's demeaning about having a kind heart. As anyone who's lain in a hospital bed knows, kindness is central to healing. Overspecialized modern physicians have already made the mistake of trying to deny that human emotions play a role in medicine; now the nursing hierarchy, by doing the same thing, seems to be turning its back on the one area in which nurses are often superior to doctors.

What academics have in mind for nursing can be gleaned from *Educational Preparation for Nursing,* a "source book" published by the ANA. It attempts to explain the differences between an associate-degree nurse (an A.D.N.) and a nurse with a bachelor's degree (a B.S.N.) under the ANA's desired all-collegiate regimen. A.D.N.s, for instance, would merely "assess overt verbal and nonverbal communications of individual clients," while B.S.N.s would have the advanced theoretical background necessary to "analyze overt and covert verbal and nonverbal communications of individual clients, families, and groups." A.D.N.s would "develop and implement short-term teaching plans . . . use communication skills in data collection . . . assess and establish nursing care priorities," and,

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you'll be relieved to know, "participate in cost-containment efforts." They would also, of course, "consult with baccalaureate or higher-degree nurses."

Meanwhile, B.S.N.s would "formulate decisions based on scientific principles," "synthesize knowledge," "analyze support systems," and seek "an environment conducive to optimum restoration and maintenance of the client's normal ability to meet basic human needs," which, so far as I could tell, means "keep people from dying."

What's most important about this ANA blueprint for the eighties is a careful reading of the sum of nurses' duties. Of the A.D.N.'s 32 projected functions, only one, "provides nursing care for individual clients," seems to correspond with the bedside role. The B.S.N. has *no responsibility* at all for hands-on nursing—B.S.N.s would implement and formulate and synthesize, but, apparently, they would never touch.

The implications are bleak. Dorothea Lang, former head nurse at Cornell University Hospital, says that emphasis on academic theory over clinical experience produces nurses who fear the bedside. Boston's Emerson Hospital found recent B.S.-degree nurses so ill-prepared for the realities of actual care that it instituted an extra six-week program for new employees to reduce "bi-cultural shock." Lang explains that most college nursing instructors go directly into education without personal clinical experience. Many do so because they prefer the classroom to the bedside—and they pass that preference along to their students.

But perhaps the deepest irony of the B.S.N. movement is that the adulation for credentials it represents will complicate one of nurses' serious disaffections—lack of opportunity. Nurses will be instilled with higher expectations than they will be able to fulfill unless they abandon patient care altogether. Today, most nurses who want career advancement can obtain it only by becoming administrators. Exactly the same situation prevails in American public education, where teachers often can advance only by switching to managerial roles. This draws a large number of gifted nurses and teachers away from the very thing they're good at.

Off-peak M.D.s

Traditionally, the next step above nursing in the medical system is doctoring. Becoming a physician requires, for a nurse, at least four years of forbiddingly expensive study—assuming the nurse can gain admission to medical school.

Alonzo Foringer, 1918

Yet isn't there an important middle ground of health care between taking temperatures and open-heart surgery? Karen Gibson, an R.N. who recently set up her own practice in Chicago, cites one example of middle-level medicine. In hospital psychological units, Gibson says, the tranquilizing drug thorozine frequently causes painful spasms in patients' necks. Another drug, artane, is given to counter the spasms. The procedure is simple and readily learned. But artane can be administered only by doctors. Problems arise during night shifts, when doctors aren't always available. So, Gibson notes, night nurses often administer artane on their own, with the tacit consent of physicians.

If nurses are competent to do something at night, why can't they do it during the day? Isn't it curious how doctors seem to think more highly of their nurses' professional judgment at night and on weekends? Most hospital emergency rooms are staffed largely by nurses, who have standing permission to engage in the kinds of lifesaving procedures they are forbidden to practice as soon as the patient is wheeled into a ward. Again, if a nurse is qualified to deliver emergency care to a patient gushing blood or choking or deep in shock—someone in immediate danger of dying—why isn't a nurse qualified to work with a stable patient lying safely in bed?

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A similar incident involved nurse Joy Catterson. Catterson was on night duty when a patient on her floor went into insulin shock. She spent a few precious minutes on the telephone, trying to get a doctor's permission to administer dextrose, but no physician could be found. As the patient's condition deteriorated, Catterson had to decide whether to administer dextrose without authorization—an illegal act for which her license could be revoked. Fortunately she thought more about the patient's neck than her own, and ran for a hypo. In the hall she bumped into an obstetrician who had never examined the patient but quickly gave oral permission, thus "covering" Catterson's license. The obstetrician didn't feel any need to check the patient, since he trusted Catterson's diagnosis—as did, apparently, the attending doctor who placed the patient's life in her hands in the first place. The only people who didn't trust Catterson were the regulation writers.

As it turns out, what's legal for a nurse to do varies widely from state to state. In New Jersey, a nurse may routinely perform some procedures that would lead to a revoked license in Kentucky. Some of the more advanced duties allowed in different states include inserting naso-gastric tubes down the esophagus, prescribing antibiotics, suturing, performing pap smears and breast exams, and defibrillation (heartbeat revival) of cardiac patients. If you combine all these responsibilities in one job you have a position involving a wide variety of medical functions—wider, in fact, than those performed by many of today's hyperspecialized, highly paid doctors.

Take Us to Your Ladder

Some hospitals are trying to recognize that nurses can be important forces in the middle ground of medicine, and those that do are having better luck combating the nursing "shortage." Milwaukee's Family Hospital has decreased its nurse turnover rate from 45 percent in 1974 to 20 percent. Hospital official Jody Wall says nurses have responsibilities like explaining to patients their conditions and briefing them on the treatments in store. These are tasks that only doctors are allowed to perform in most hospitals—and, as so many surgery veterans can attest, that doctors often don't bother with, leaving the patient ill-prepared and needlessly apprehensive. At Family, nurses with a special interest in one area—say, hypertension—are allowed to spend some time in the specialty unit of that field, in addition to their regular bedside duties.

Family also uses a system called "clinical ladder," whereby nurses can advance to greater responsibility once they have observed the handling of a condition long enough to master it. Long Beach Memorial Hospital uses this system as well. Long Beach recruiter Marilyn Grafton explains that the clinical ladder rewards nurses for real-world experience and allows them to advance without going into administration. Long Beach's clinical ladder has four levels of nursing authority in both administrative and bedside nursing. The pay scale at the top levels on both ladders is the same, so there is no financial incentive to leave the bedside and enter administration.

Some hospitals also offer nurses "joint practice" or "primary nursing" programs. In joint practice, doctor-nurse teams collaborate, and are jointly responsible for patient care. Such collaboration helps alleviate a problem cited by many nurses—the condescending attitude of those doctors who view nurses as waitresses in white, useful for little more than carrying trays. Studies show that nurse-retention rates are unusually high in hospitals with such programs.

Primary nursing, meanwhile, gives a nurse total responsibility for the care of certain patients, as opposed to a single task like giving medication all day. This arrangement avoids dehumanizing "assembly line" workloads, and offers nurses the satisfaction of overall responsibility for a patient's recovery. Not surprisingly, hospitals with primary-care arrangements also have relatively low nurse-turnover rates.

These models deserve to be copied, since they acknowledge that many nurses can do more than merely hand clamps and towels to physicians. But there are still other levels evolving between doctor and nurse. The next step for a nurse ready to go beyond an R.N. is more schooling to become a "nurse practitioner," a person who works in a medical clinic and does basic diagnosis and treatment of simple disorders. Nurse practitioners are similar in function to the general-practitioner M.D.s of the distant past.

Nurse-practitioner courses last from four months to a year. Hardly an onerous requirement, of course, but the very shortness of nurse-practitioner programs is puzzling. Jean Johnson, director of George Washington University's nurse-practitioner certificate program, says that nurse-practitioner skills can be acquired by actual experience in the hospital. Why is an extra academic step needed at all?

Right now, the ANA allows some nurses with extensive hospital experience to take nurse-practitioner exams without completing extra courses. Apparently, however, too many untu-

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tored nurses have been passing such exams. So the ANA has decreed that beginning next year, only graduates of "certificate" or master's programs will be allowed to take the NP exam. The ANA is believed to be working towards the day when certificate programs are abolished altogether, and master's degrees are a prerequisite to becoming an NP. All the better to "synthesize" and "facilitate" with, one supposes, but it's not hard to predict the counterproductive consequences. Johnson says that master's-degree NPs generally go on to do research or study for doctoral degrees—striving, like their physician models, to get as far away as possible from actual care.

Another, more favorable trend is that nurses are now showing more interest in midwifery. Midwifery started in the U.S. in 1925, when a woman named Mary Breckinridge recruited midwives from England and Scotland (they were unheard-of in America) to care for infants and mothers in Appalachia, where mortality rates were high. At the outset of World War II the midwives went home, but Breckinridge started a school that continues to train Americans in the field. Training takes from one to two years beyond that required for R.N.s—midwives do not, as commonly believed, only deliver babies, but take responsibility for a broad range of pre- and postnatal obstetric care. That nurses are

Secretarial Servitude

by Judith Podell and Patricia E. Potter

Like nurses, secretaries—especially good ones—are in desperately short supply nowadays, and not because there's a shortage of people who can do the job. Part of the problem is pay: normal supply and demand forces have not worked to drive up secretarial wages. But the real barrier to becoming a secretary is, well, all the other barriers you can see down the road. Not only do salaries after a lifetime of secretarial work usually stop well short of $20,000, but "status"—that intangible mix of respect and the promise of better things to come—is almost nonexistent. Many women with dreams of success never admit on a resume that they can type fast or take shorthand. Doing so risks drowning forever in the secretarial pool.

It wasn't always this bad. There was a time when a secretary was the boss's apprentice and often the designated heir. Recall, for instance, that the impresario Billy Rose began his career as secretary to Bernard Baruch. Virginia Dwyer, now corporate treasurer of AT&T, started out doing clerical work during World War II. Of course, this was before secretarial work somehow became akin to washing dishes and knitting socks. Although the duties of the executive secretary haven't changed, most secretaries are no longer expected to seek any reward beyond a living wage and the satisfaction of competent and loyal service to their superiors.

Secretaries who continue to enjoy their work do so for such reasons, but the women's movement has convinced many others—particularly younger women—to shimmy up the greasy pole

Judith Podell and Patricia E. Potter are Washington writers.

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seeking such opportunities for professional growth is evidenced by the fact that six applicants are waiting for each place in the country's 26 midwifery schools. Doctors—who with the dramatic expansion of medical schools are approaching the status of surplus commodities—are starting to see midwives as encroaching on their territory. In Nashville, for instance, doctors have moved to bar midwives from staff privileges at three local hospitals.

Much to the doctors' dismay, there is evidence of widespread support for midwifery. One study shows that when midwives came to rural Madera County, California, under a federal program, neonatal (month-after-birth) infant mortality rates dropped significantly. When the money ran out and the midwives left, rates rose again. At North Central Bronx Hospital in New York City, nearly all babies are delivered by midwives—as are 80 percent of babies in Western European countries.

Healthy Professors, Forgotten Patients

The new midwife and nurse-practitioner roles demonstrate that nurses are definitely capable of taking on many medical tasks now filled by physicians, with more responsibilities and higher pay. (As nurses advance, physicians' pay should be reduced correspondingly—doctors certainly deserve to make more than nurses, but not five to

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the way men do, with advanced degrees. Once they've done so, they often have little more in common with their secretaries than do their male counterparts. What separates the boss from the secretary is no longer necessarily gender, just credentials.

It's the lack of that *vitae* that dooms the competent secretary to a life of taking orders. In *Nine to Five,* Lily Tomlin played a secretary who was clearly the shrewdest, brightest, most talented person in the office. She had run the place for years, but her fatuous boss could deny her a promotion because she lacked a college degree. Bobby Kennedy's personal secretary, a woman named Angie Novello, was universally regarded as a highly competent person, capable of performing any number of management roles. But because she did not have a diploma, it took her 30 years to shed her secretarial identity. Though legal secretaries are often responsible for the day-to-day manipulation of boilerplate language that accounts for much of a law firm's profit, their wages usually pale in comparison with those of the green associate just out of law school.

Secretarial serfdom exists in almost all American offices, but it is best illustrated in the federal government. Civil Service rules dictate that a secretary's level must be nine grades below her boss's. Because most government secretaries are GS-5s and GS-6s (with a salary range of $12,266 to $17,766, the latter attained after 20 years), bureaucrats know they can't give their secretaries promotions unless they themselves move up into the senior executive service, which few do. Only a lucky two percent of government secretaries gain the coveted GS-9 jobs ($18,585 to $24,165). The rest languish.

Of course, some secretaries deserve to do so, but there are others who deserve to advance, and that means moving heaven and earth. For instance, a civil servant trying to get a secretary a promotion to GS-7 must first write a masterpiece of a memo detailing the additional duties the secretary performs. The memo must be approved by the branch chief, the division director, and that sharp-eyed character over in personnel who spends all day working as a "position classification specialist." If this fails—and it usually does—the only way the secretary advances is by finding a nonsecretarial job, something a bureaucrat with a good secretary is loath to arrange. Instead, the boss recalls that even the most benevolent of southern gentlemen waited until their deaths to free their slaves, and vows to look into the matter once he retires.

In a report for the Department of Labor, Patricia Cayo Sexton uses a "dual market" theory to describe the situation of working women. The theory suggests that the office workplace is split into two sectors: one offers nice jobs, and the other offers lousy ones. Characteristics of the jobs in the upper sector include hefty salaries, room for advancement, pleasant working conditions, and due process. Characteristics of the jobs in the lower sector include paltry pay, little chance of advancement, arbitrary supervision, and job insecurity (except in the government). Movement between the two sectors is uncommon. Laboring in the vineyards of the lower sector is not considered an apprenticeship for the upper sector, where there are shortcuts for the preselected. Thus the law student who helps the secretary file cases one summer makes $35,000 upon graduation from school. The secretary remains a secretary.

Until that changes—until office promotions are made on the basis of competence, not credentialism—serfs will stay serfs and good secretaries will stay scarce.

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ten times more, as is now typical.)

If a B.S. degree becomes a prerequisite for registered nursing, hospital administrators will be tempted to assume that anyone carrying the magic piece of paper is automatically a skilled nurse. No more of that messy business of sorting out people according to their actual experience, motivation, and performance. No more trying to figure out who really possesses the "demeaning" quality of kindheartedness.

Yet not one of the pro-schooling nursing professionals I spoke to was willing to say for the record that B.S. or M.S. degrees would guarantee better nurses. They can't say it, because they know it isn't true. Even today most hospital recruiters don't attach any significance to whether a prospective nurse has a B.S. in nursing or not.

There are strong indications that the main pressure for academic nursing regimens comes from nursing academics themselves, who seek to buttress and expand their pleasant, low-work, far-from-the-bedside lifestyles. It recalls the considerable pressure journalism professors exerted through the 1960s and 1970s to make j-degrees some sort of requirement for being reporters, at the very time newspaper and magazine editors were saying they actively avoided journalism graduates because j-schoolers performed so poorly compared to those with on-the-job training. But the long-term plans for academic nursing entrenchment are clear: after the B.S. requirement will come an M.S. requirement, and then how about something beyond that? In their dreams academics hear cries of "Attention Doctor Nurse" echoing down hospital corridors.

Nurses should be able to advance not on the basis of paper credentials but on their demonstrated knowledge and ability, as determined by peer review and objective examination. It's not inconceivable—and not at all frightening—that some nurses could even advance into surgery, given many years of experience. Many a surgeon's first assistant has observed and played a part in far more operations over the years than a resident who is certified to begin surgery. If a first surgical assistant nurse has such experience, and also the coordination and temperament of a surgeon, why shouldn't he or she advance to that rank? Whom would you rather have operate on your knee, someone who's participated in a thousand knee operations, or someone who's read a book about the knee?

In the 1960s, a man named Tom Levin had a reasonable idea for reforming the medical education system in a way that would combine theoretical study and actual experience. Levin told *The Washington Monthly* ["The Health Professionals," by David Hapgood, June 1969] not only that surgical assistants could become surgeons, but also that no surgeon was fully trained unless he had first served as an assistant. Levin proposed a system in which medical students—headed for surgery and nursing alike—would work in hospitals for three weeks a month and attend school full time the fourth week. In the course of four years all students would earn R.N. status; those who wanted to be nurses would stop there, and those motivated enough (and good enough) to be doctors would continue. That way people who traditionally dead-ended in nursing would have an opportunity to advance as far as they were capable of advancing, and doctors would be better grounded in the realities and human necessities of bedside care.

Levin was in the process of providing several grants for his idea, which he called Health Careers Program, when the university he planned to send his students to part time informed him it did not wish to be associated with nonprofessionals. It refused to accept his grant money, a jaw-dropping event in modern education.

I thought of those things recently while consulting two medical professionals. First I made a routine visit to my gynecologist. He spent a grand total of five minutes in my presence, and charged me $30 for the privilege. He approached me with the tender human touch of a highway toll collector. I also recently visited my nurse practitioner, Vera Reublinger, who remembers every ailment I have ever come to her with. She spent a good 15 minutes describing to me the causes of charley horses in my right calf and how I could prevent them.

Like a good number of today's doctors, my gynecologist has little understanding of the healing role played by patience, instruction, and human comfort. My nurse practitioner, on the other hand, lacks his specialized knowledge, and also his authority to act. I couldn't help but wonder why we have created a system where it's possible for each one to possess only half the medical wisdom needed to heal the sick—and where each is often discouraged, by a combination of law and custom, from fully exploring the other half. It will be hard to reform the system by encouraging doctors to learn more bedside compassion, for many will consider that a step down. It should be possible, however, to let nurses move up into positions of authority and responsibility. Maybe it's time to give Tom Levin's idea another try. □

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Tidbits & Outrages

Reaganomics Meets Rodeo Drive, Part II

Last month we ran an ad from the San Diego *Union* that showed a man proclaiming, "Reagan's new tax law enabled me to buy my own airplane!" To the left is a similar ad that appeared in the New York *Times* on September 20.

You may recall that the announced purpose of Reagan's tax-cut plan was to give well-heeled individuals sufficient extra cash to make capital investments in improved national productivity. How is that money *really* being spent? We ask readers to keep their eyes open for evidence (like these ads) and send it in. If we get enough, we'll try to make "Reaganomics Meets Rodeo Drive" a regular feature.

All 18 subcommittees that monitor staffing called the situation "shocking"

For years every House of Representatives telephone number has begun with the prefix 225. Recently 226 numbers were assigned to the House because congressional staff expansion has exhausted all numbers based on 225.

There are 10,000 possible combinations of 225.

If that doesn't work, file a writ of certiorari before the Roman Numeral Deprivation Commission

The University of Washington recently sent a memo to its employees announcing that the job classification "Library Supervisor I" had been changed to "Library Supervisor A." The new classification carries the same pay and responsibilities as the old one, the memo said.

Nevertheless, the announcement continued, "You may appeal this decision per WAC 251-06-070 by writing the Director of the Higher Education Personnel Board."

Minimum specs include .23 mm Indian head penny tolerance

The *Commerce Business Daily* is a government publication that informs businesses of the items on which various federal agencies are seeking bids. Its July 17 issue includes requests for the following things:

- FILTER ASSEMBLY, 2 each IAW MIL HDBK-232
- VARIABLE PHASE SHIFT ATTENUATOR
- 3000 AMP, 3-POLE, 480V DRAWOUT CIRCUIT BREAKER
- STRAIGHT ADAPTOR ASSEMBLY
- PIGGY BANK

AND THE NEW HEAD OF THE FDA IS DR. THAL LIDOMIDE

Guess the name of the new director of public affairs for the National Highway Traffic Safety Administration. It's Pinto. Ed Pinto. Shortly after he joined the NHTSA, the rumor spread around the agency that Pinto had ripped the seat belts from his car. "Not true," Pinto said. "I removed the belts to wash them."

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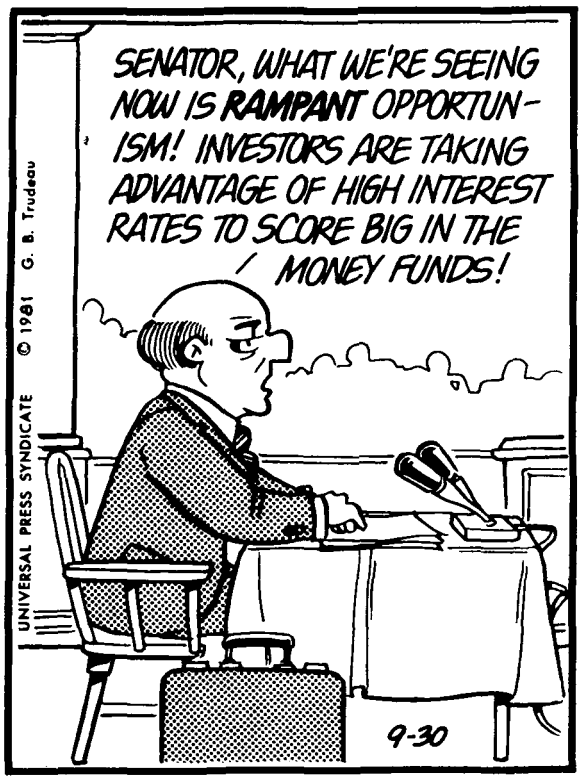
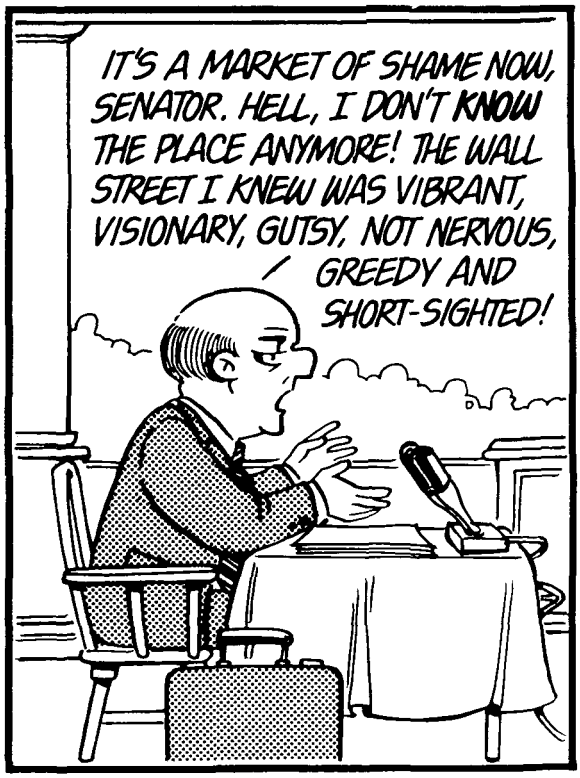
THE MEANING OF MONEY MARKETS





How 8 Million People Learned to Stop Worrying and Love High Interest Rates

True economic democracy, one might say, will be achieved when every American is ripping off every other American. Recent history shows a steady progression toward this ideal. As energy prices tripled and gas lines stretched down the boulevard, for instance, millions of citizens who owned oil stocks secretly chuckled with glee. Oil stock owners formed a formidable bloc of people who not only profited from the energy "crisis" but were in no hurry to see it end.

Today, high interest rates are the greatest plague on the economy. While October brought some encouraging dips in the prime rate, it's still a long way back to single digits. Since interest rates, like gas lines, affect everyone, it would seem that everyone would be distressed. But far from it. A large, diverse segment of the population actually likes high interest rates.

Gregg Easterbrook is an editor of The Washington Monthly.

Financiers, of course, have always favored high interest. But these big wheels, while powerful, have been modest in number. Today the roster of those who root for high interest rates (consciously or not) runs into the millions. It's composed mainly of middle-class citizens with investments in money market funds, bank certificates of deposit (CDs), and the new All Savers accounts. This emerging category of "interest investments" gives steadily growing numbers of people a stake in keeping rates sky-high.

Consider a 38-year-old engineer who owns his own home. Unless he indulges some illegal habit, chances are he has a fair amount of cash on hand, since the median income of "professional and technical" workers is now $31,000, according to an advance analysis of the 1980 census. If the engineer put his cash in a money market fund in October, it returned 17 percent. *Seventeen percent.* The railroad robber barons of 1880 would have swallowed their snuff boxes for such a deal!

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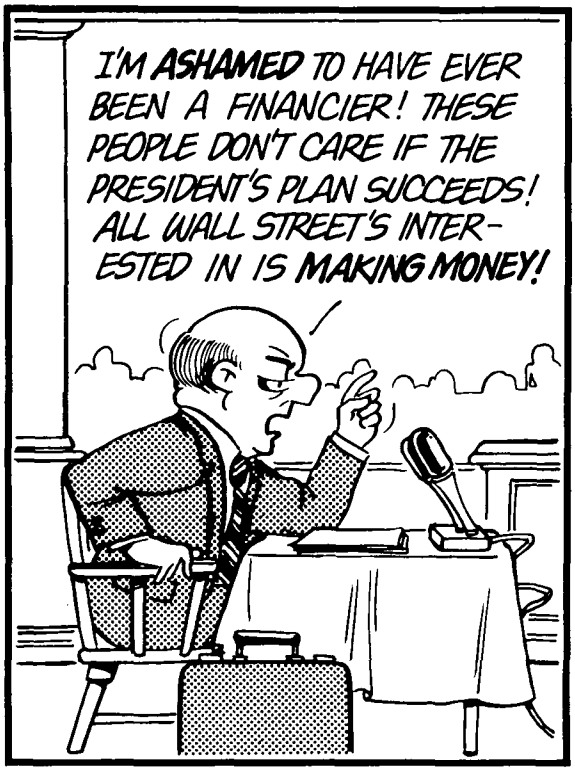
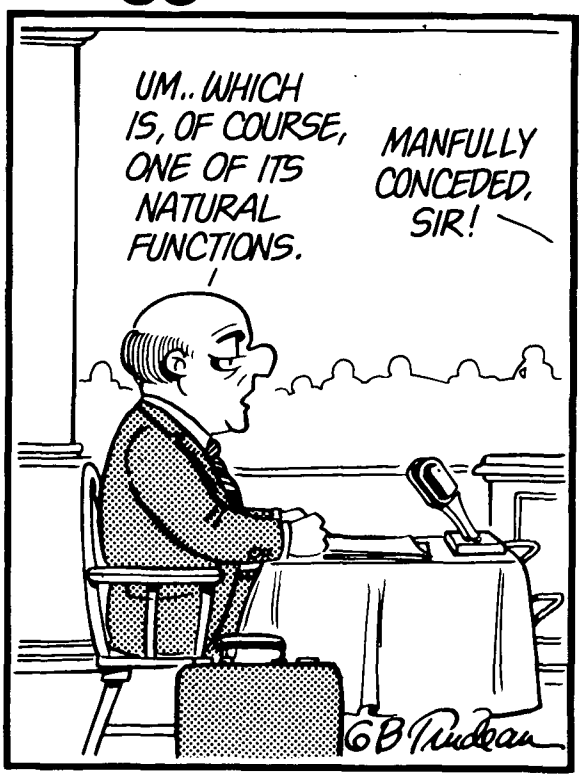
by Gregg Easterbrook





Not long ago, a 10 percent return made Wall Street analysts drool. Yet the engineer can obtain this handsome yield without any special knack for investing (or, for that matter, any knowledge of the market at all). The money is practically guaranteed, and besides he can have it back at any time. This dream deal will continue, however, only as long as interest rates stay high. If they fall, it's back to five percent and a cloud of dust.

The same applies to CDs and All Savers accounts, which, through tax gimmicks, can be as rewarding as money market funds. Just about anybody who makes a good salary and isn't looking to buy (or sell) a house can turn the prime-rate "crisis" to his advantage through interest investments. People are doing so in staggering numbers. In October 1979 the money market funds had about 1.5 million members and $35 billion in assets. By October of this year, approximately 8 million people had deposited $160 billion in money funds. Billions more were in CDs and beginning to flow to All Savers.

This shift in financial patterns not only creates a sizable constituency for high interest rates, but diverts money from the risky new enterprises necessary to invigorate the economy. "An investor can now get a 17 percent return in the money markets with almost no risk," says Stephen Levy, an official of Energenics Systems, a firm that sets up new energy ventures. "What can possibly draw him into a new company that might not succeed? If I propose a venture whose stock price will probably double in five years, most investors now say, 'So what? My money will double in a money market in four years, and I'm taking no chances.'" Ronald Reagan's economic program is nearly certain to accelerate this trend. It handed more money to the well-off but included no provisions to draw that money toward new or expanded enterprise. A great deal of the cash Reagan cut loose will probably be stuffed into the national mattress of interest investments—where it may eventually find its way to productive uses, but more likely will go to service existing debt.

To understand the full implications of the interest-investing fad, it's important to remember that the types of people who use money market funds are generally isolated from the realities of borrowing money. Since the mid-1960s the typical pattern of life for a young professional has included only three major loans ("major" being a loan that is large compared to the borrower's net worth). The first loan is for college. It's available at a government-subsidized, artificially low rate. The second is for the car that takes a borrower to

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his first big job; the third is for a house. Car loans can be paid off quickly by someone advancing to professional rank; house loans, if necessary, can be postponed by apartment living. Meanwhile, the modern professional tends to work for a law firm, hospital, government agency, or large corporation. Those institutions may be borrowing money to stay afloat, but few of their professional employees are actively involved in the process. The accountant or banker who handles institutional loans may see huge interest payments, but it's somebody else's money. The magnitude of high interest seldom hits home unless it's *your* money.

$$$

Money funds are not dens of go-go risk-takers. Like most contemporary financial institutions, they are petrified of anything even the least bit uncertain.

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Life didn't always work this way. Not too long ago, many of the people who are now operatives of large institutions would have been self-employed, or managers of family businesses. Self-employed or small-business people are intimately involved in the borrowing of money. They understand that large sums are necessary to get something new rolling, and they know from personal experience what a jackhammer job high interest rates can do to even the best-laid foundation. But that's fading. There is now a large and highly influential class of people who don't appreciate that high interest rates cripple small business and the poor—and increasingly don't care, because they see high rates as a sweet deal for themselves.

Leave Me a Loan

Suppose our hypothetical engineer making his median $31,000 lives in a home purchased before 1978. He probably has a fixed conventional mortgage at less than 10 percent. Not only is he hoping for continued high interest rates, he may even be hoping for inflation.

Here's why. First, his 10 percent mortgage is locked in at 8 percent less than the going rate. That means there's leverage in the loan itself. Since the bank is losing money on the engineer's loan, the engineer could, if need be, readily refinance and accept a higher rate in return for up-front cash. Meanwhile, he is basking in the attenuating effects of inflation, because he covers the payments on his house with future "cheap" money. All this time inflation is pushing up the value of his house, making him at least *feel* like lord of all he surveys (remember, interest rates may prevent him from selling the house and realizing his gain). Inflation may also be pushing up his salary, especially if he's on the cost-of-living gravy train. Most cost-of-living salary escalators are linked to the Consumer Price Index. CPI's major component is housing costs, which our engineer has already licked. He may receive, say, an 8 percent cost-of-living increase when his actual incurred expenses have risen at a much slower pace.

Each year the engineer deducts half his mortgage interest from his taxes, so the home loan really sets him back only 5 percent. He puts all his available cash into a money market fund, which pays 17 percent. With inflation now running around 10 percent, that's 7 percent real growth, at least before taxes. Risk-free, totally liquid. Pour another Chivas and toast the gold medalist of contemporary finance.

According to Census Bureau figures, in January 1978 there were 22 million homes backed by conventional mortgages. Assuming most of the people who owned those homes in 1978 still do, a vast number of people are living by the grace of notes at 9 percent or less, since mortgage rates began their spurt in mid-winter 1978. To get some notion of how many people have the type of salary that provides moderate amounts of cash to invest, I added up Bureau of Labor Statistics figures for professional-type employment—lawyers, doctors, chemists, government managers, journalists, and so on. The total came to 8 million—the same number of people who have money market funds. Surely many of the 22 million home-free homeowners and 8 million well-paid professionals overlap, creating a very large contingent of gold medalists.

All told, since the prime rate hit warp speed in late 1979, interest income for individuals and institutions has increased 42 percent, according to Manufacturers Hanover Trust Co. Interest income now constitutes 13 percent of total personal income—an average that includes tens of millions of people who have no interest income at all. Murray Weidenbaum, chairman of Reagan's Council of Economic Advisors, recently put it all in perspective for a congressional committee. "These high rates may represent a serious cost to borrowers," he noted cheerfully, "but they have substantially increased the incomes of millions of Americans." If you were smart enough to make money before 1979, Weidenbaum seems to be

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saying, this is the decade for you. If you need to start making money now . . . excuse me, I've got another call coming in.

One Lump Sum Or Two?

Just how do money market funds generate such princely returns, the better to win converts to the cause of high interest rates? What do they know that banks don't know? Nothing, as it turns out. It's what money funds are *exempt from,* as opposed to what they have, that makes them so profitable. But first, let's backtrack a little.

Until the 1970s, the main alternative for investors who didn't want to make individual buy-sell judgments about the market was the mutual stock fund. Shareholders would hand their money over to portfolio managers, who would buy a variety of stocks and generate returns from dividends and profit-taking (selling shares that are up). During the last decade, however, several new categories of funds came into being—money market funds, tax-free municipal bond funds, and my personal favorite, the yield-tilted index fund. (For an explanation of what *that* is, send $25 in subordinated convertible debentures to Easterbrook Investment Services, care of this magazine.) Money markets soon became the star of the new services. They're outperforming mutual stock funds, and their $160 billion in assets compares to just $4 billion for municipal bond funds.

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Many influential people don't appreciate what high interest rates do to the struggling—and don't care, because they see high rates as good deals for themselves.

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A money market is the bucket brigade of high finance. It collects lots of little bits of money, consolidates them into a big lump sum, then sells it to those who deal in lumps. Banks, of course, perform essentially the same function on their deposit end—they collect small sums and consolidate. There's one crucial difference. Banks are *regulated.* Money market funds are not.

Banks dwell in the land of something called Regulation Q, a Federal Reserve rule that limits the amount of interest they can pay on small accounts. When banks advertise "the highest interest allowable by law," Reg Q is the "law" they're referring to. Savings and loan institutions can pay a maximum of 6 percent on passbook accounts; commercial banks are limited to 5¾ percent.

Money market funds are under no such strictures. They are "securities institutions," not banks, and hence regulated by the Securities and Exchange Commission instead of the Fed. (Technically a money fund member doesn't have a deposit, he has a stack of "shares" worth $1 each.) The SEC, unlike the Fed, thinks people ought to be allowed to make money, so it allows "securities institutions" to pay whatever yield they can. Money funds make loans that average out at nearly the prime rate and pass the proceeds right along to their shareholders, minus a small management fee, which is how the funds themselves make money.

At one point in 1980, savers were carting cash to money funds (some of which can be joined for only $1,000) at the rate of $3 billion a week. Pension funds, brokerage houses, and similar institutions also use money funds. Stock-shuffling creates large amounts of cash that has a very short half-life. Brokers don't want it to sit idle, but also can't afford to have it tied up. So an instant-out fund fits their needs perfectly.

Since many banks are short of capital, you might think they would be straining against the reins of Reg Q, anxious for a chance to take on the funds head-to-head. But banks are about as anxious to compete, it turns out, as baseball's first-season playoff teams were anxious to win games after the strike ended. Yet banks now depend on money funds for their existence.

All money funds do with their money is lend it; they never buy stocks. Their loans fall into three categories: loans to government, loans to banks, and loans to business. Slightly more than half the funds' assets cycle right back to banks as a wide variety of short-term instruments, including "jumbo" CDs, letters of credit, and "repurchase agreements" (see sidebar). The largest single slice of money fund capital, 35 percent, goes to "commercial paper"—short-term loans to corporations. "Paper" lasts for only a month or two. In fact all money fund investments are extremely short-term. Some last no longer than affection in a singles bar.

Liquidite, Equite, Fiduciaire!

Money market funds like short loans—the shorter the better is usually the rule. That's because money funds are not, as many believe, go-go risk-takers. Far from it. Like most contemporary financial leaders, money fund managers are petrified of anything even the least bit uncertain. Not being insured, they place a premium on

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liquidity—the ability to jerk their cash back at the first sign of trouble.

Money funds can buy lots of liquid short-term paper because lots of corporations are selling it. With the Dow Jones index sounding like an SAT score, companies have little incentive to issue stock, since it brings a paltry price. Bond sales have nearly stopped, too, blackjacked by interest rates. After stocks and bonds foul out, the only way left for corporations to raise money is generally through paper. To the investor banking on high interest rates, short-term paper offers not only liquidity, but the opportunity to quickly reloan money at an even higher return any time the prime rises. The "average maturity"of a money fund's loans indicates whether its managers think rates will go up (short average) or down (long average). Five years ago, the industry-wide average maturity for money funds was 108 days. Today it is 29 days.

The short-term loan game has some troubling implications—implications that interest-happy investors ignore at their peril. How can a businessman lay plans for the future when his money supply is guaranteed for only 60 days? How can he make capital investments when he can't fix the cost of capital more than a month away? The prevalence of short-term financing "further reduces long-term corporate vision, and increases corporate myopia," says Robert Reich, a former Federal Trade Commission official.

$$$

Money fund investors get stung *when interest rates fall. All that high-yield paper evaporates before their eyes.*

$$$

Meanwhile, as the company recoils from long-term investment, the sword of paying 18 percent money-rent hangs daily over its head. Companies have no choice but to cut back capital improvements and use earnings to cover costs. For instance, Weyerhaeuser, a profitable and forward-thinking company, recently announced a 15 percent cut in 1982 investment spending. No time for new products or factories; crank the existing assets up to maximum for as long as they can stand it and when they break, ask for a bailout.

Interest rates take a special toll on small business. Small businesses generally pay one or two percent more for loans than big business to begin with—a combination of the facts that small loans require more bank effort (there's an advantage to buying anything in bulk, even money) and that small businesses are more likely to fail. High rates hit troubled or new businesses doubly hard because of the tax system, which favors established firms. Tax deductions for interest payments—a key element of the prime-rate absorption system—are useful only to firms with something to deduct *from*. Unless a company is safely in the black, tax deductions for interest don't help.

Perhaps most ominous, fat, risk-free interest investments have become an impenetrable force field against new enterprise—the fountain of job creation and economic innovation. According to Levy of Energenics Systems, the "investment hurdle rate"—the return a venture must offer in order to lure investors—has gone off the scale. At the moment, Levy says, investors won't start talking until they are promised a new enterprise with a *40 percent* pre-tax return—hard to imagine for anything short of a diamond mine.

Could any of today's most innovative industries—semiconductors, photo offset typesetting, composite structural materials—have gotten off the ground under these conditions? Entirely new ideas like semiconductors, Levy says, would scarcely merit a second thought if they had to compete with the high yield of today's short-term interest investments. "Nobody's looking for long-term projects," he notes. "The question they all ask is, 'Does it work right now?' "

Clean, Carefully Washed Hands

Consider how these factors unify in the minds of well-paid young professionals. Why invest in companies when you can invest in interest? Many young professionals are unmoved by the country's lagging productivity, since they themselves are sequestered far from actual productive enterprise. They occupy "clean hands" positions in law offices and newsrooms, where they analyze and comment on what other people do, but never do (in the productive sense) anything themselves. Those with business schooling have been elaborately trained to emphasize short-term results. Meanwhile most young professionals seldom borrow amounts of money that are large compared to their own worth, so they don't know what a crust-breaking impact 18 percent has on anyone skating on thin ice. One thing they understand very well, however: money market funds, CDs, and All Savers guarantee them fabulous returns but only as long as interest rates stay high.

Is it any surprise that this large and influential group is not shaking its fist at the prime rate? In

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fact interest investors, consciously or not, are using their influence in exactly the opposite direction. Two years ago, when S&Ls and commercial banks began lobbying state legislatures to cripple the money funds (see "High Noon at Wall and Main," page 38), fund proponents beat the banks with ease—blew them out of the water, in fact. Banks, bear in mind, have traditionally been the two-ton gorillas of lobbying, using campaign contributions and well-developed local influence to get their wish lists approved on a regular basis. That the money funds broke the banks may be a good thing—but it also shows how powerful the funds have become, in a very short time.

Neoconservative commentators like to speak of a "new class" of young professionals who seek tenured, important-sounding but unproductive jobs, living off society's past successes while adding nothing to its future. These new-classers are supposed to congregate in government agencies. But interest investing, which sounds alarmingly like a new-class attribute, has swept up lawyers, accountants, management consultants, and others generally associated with the business world, as well as Great Society types. Today people on all sides of the fence seem to long mainly for no risk and for instant gratification.

One other feature seems to define the new-class investor. To buy stocks, you must pay a fair degree of attention to the market. You must root for the business climate to improve, and study the relative merits of companies to determine which ones are likely to prevail. These things, besides being difficult, have a distasteful connotation to many young professionals. Stocks are used to,

Life in the Fast Loan

Money market funds are commonly pictured as dens of riverboat gamblers, wildly throwing the dice. Nothing could be further from the truth. They are conservative institutions, in style and substance.

Most money fund headquarters, for example, are patterned after their progenitors, the stock brokerage houses. They are large, open floors crammed with desks. Few people have separate offices. Staffs are small—until recently Bill Berkowitz, president of the $6 billion Dreyfus Liquid Assets, answered his own phone—because the funds compete both on the quality of their yields and the modesty of their management fees. Compare this with the leather-lined atmosphere of most banks and the Olympian attitude of most bank officers, who expect clients to walk across hot coals and flagellate themselves with those stupid pens on spring-coils before being granted an audience.

Money funds exist to loan money (they never buy stock), and they make the most cautious loans possible. "We give total priority to security," says Bruce Bent, president of the first money market fund, The Reserve Fund, founded in 1971. The funds' security mechanism is extremely "fast"—short-term—loans.

When a bank takes your money, it usually makes loans that convert cash into physical assets like new buildings. Although the *value* of your money is there and the payments are rolling in, the principal (your cash itself) is locked up in brick and mortar. If all the banks' depositors demand their money at once, the bank fails, because it's impossible to instantly convert physical assets back into money. But money funds make loans that "mature" in a few months, weeks, or even days. The principal is out of reach only briefly. On the common 30-day note, for instance, your cash returns to the fund after just one month.

The average maturity (loan length) for money funds nationwide is 29 days as of this writing. One fund, Capital Preservation, has a maturity of only nine days. Its yield is virtually a continuous read-out of credit trends. An average maturity of 29 days means that three percent of the nation's entire money-market investment (some $160 billion) comes due on any given day; a quarter is returned over the course of each week. This flow of ready cash probably ensures that funds could withstand all but the most dramatic "run" on their assets. Anyway it's worked so far; no shareholder has ever lost money in the country's 140 funds.

Fast-term lending is also a phenomenon of the dash to capitalize on high interest rates. The faster a loan matures, the faster cash can be reinvested at a higher rate. So when the prime is fluttering up, average maturities drop; when it's stable or headed down, they rise as money fund managers seek to "lock in" high yields for longer periods.

Short maturities further reflect the funds' distrust of private enterprise. Loans pose no greater danger (especially in times of high interest rates) than the borrower not being able to repay. Corporate defaults can come with surprisingly little warning, assuming the company has juggled its books to the limit and one day drops them all simultaneously. Penn Central and W. T. Grant took creditors almost completely by surprise when they went off the cliff.

Bank defaults are rarer than corporate failures, so the more conservative a fund the farther it moves from "commercial paper" loans to companies. Reserve Fund doesn't buy paper at all; Bent prefers bank loans, considering them all-but-guaranteed by the government. "There's nothing implicitly necessary to society in perpetuating W. T. Grant or any other corporation," he explained, "but Washington will never let a bank go under." *Never* may be a slight exaggeratioin, but it's clear many share Bent's view. Some 51 percent of money fund assets are invested in a variety of loans to banks—big banks, since most funds make a policy of dealing only with institutions having a minimum of $1 billion in assets. The bigger the bank, they reason, the more secure it is, or at least the more secure it seems. "We're not insured, so we need to sell a product people will

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well, *profiteer*—to make dramatic gains from companies that fleece the poor and spoil the land. Money funds, on the other hand, cannot make you filthy rich. They just provide a nice, predictable return. That seems, somehow, so much more *respectable*.

The buyer of stocks or bonds also takes on a measure of responsibility for corporate behavior. He might hear that Raytheon was using his equity capital to make antipersonnel fragmentation grenades. Some people don't lose sleep over such things, but many young professionals—especially journalists and college teachers, who have influence disproportionate to their numbers—do. In fact, losing sleep over corporate behavior has advanced to such a degree that many new-class members toss and turn even over socially responsible companies that make lumber, gearshifts, or toothpaste.

Passing your cash on to a money-market intermediary absolves you from all that. Your money's thrown into a big pool and how do you know where it ends up? Maybe it's at Raytheon, or maybe it's funding a free macrobiotic food program for senior citizens. Mutual stock funds served this purpose up to a point, but they still

have confidence in," said Bernard Garil, vice-president of Oppenheimer Money Market Fund. "Large banks fill that need."

When money funds make loans to banks it becomes clear how they, acting for many people simultaneously, can get far better returns than individuals acting alone. At present, 24 percent of the funds' assets go back to banks as "jumbo" certificates of deposit (CDs) worth $100,000 or more. Passbook accounts are held to their skinflint five- to six-percent yields by Federal Reserve regulations, and CDs available for $10,000 to walk-in bank customers offer a partially deregulated return of around 14 percent. But "jumbo" CDs are totally deregulated, so banks pay the going rate for them. Another 27 percent of the funds' capital is forwarded to banks through a variety of instruments like "Eurodollar CDs," bankers' acceptances, and repurchase agreements. The latter technically are not loans, which frees them from Fed interest limits. In fact, money funds exist largely to launder out Fed regulations. They are the Grand Cayman Island of aboveboard finance.

While banks are safer than corporations, loans to the government are safer still, federal defaults being unimaginable (at least with the B-1 not yet in production). "The government can get money no matter what happens to the economy," Oppenheimer notes. And get money it does. In the next six months Washington is scheduled to borrow $65 billion, about a third of the credit expected to be available. Most of the money will fall into the unproductive no-man's-land of debt service. Money funds serve this lost cause by channeling 13 percent of their assets into Treasury bills and other instruments—meaning the funds' 8 million shareholders are profiting at the expense of their taxes, or being taxed at the expense of their profits, depending on your perspective.

Something else that depends on your perspective is the social significance of "fast" lending. While it insures lip-smacking short-term profits for many, it suggests faltering long-term growth for all.

Companies needing investment capital can acquire it through equity (stock), long-term debt (like bonds), or short-term debt (like paper). In the abstract, companies should prefer equity financing, since when they sell stock they are getting money "free" (without interest) and can plan far into the future, instead of worrying about cranking out installments the next morning. But recently the virtues of equity financing have faded. Wall Street has swelled with brokers, analysts, newsletter writers, and other professional cream-skimmers, most of whom work on commission. It's in their collective interest to keep prices wavering and stocks changing hands, so they issue a steady stream of conflicting dictums about companies. In 1960 there were 958 million shares transacted on the New York Stock Exchange; by 1980 NYSE volume had risen to 11.5 *billion*. All this activity exerts considerable psychological pressure on corporate managers, who not only want their companies to look good but take a bath themselves if stock prices fall, since they own shares (or are promised them through option plans).

Now there's a near-freeze on new stock because the market is performing so poorly; recently Consolidated Oil and Gas Co. canceled a proposed $100 million offering because the value of the sale sank more than 25 percent in the weeks after it was announced. Federal Reserve figures show the "net flow" of equity financing was actually a negative 10 percent in the second quarter of this year, meaning more existing stock was retired than new stock created.

Long before the current market swan dive began, corporations had begun looking past stock toward their second option, bonds. Bondholders (who get a fixed return regardless of how well the company does) exert little pressure on corporate managers, sparing them the amusement-park atmosphere of Wall Street. They provide, meanwhile, a stable and predictable source of capital that facilitates long-term investment.

But high interest rates knock the chair from under bonds. Companies don't want to sell them, since they must commit themselves to paying very high yields for years or decades. And investors don't want to buy them, because they can resell bonds at profit only if rates fall. Suppose you buy a bond at 18 percent and rates drop to 15 percent. You're holding an attractive asset, since it's producing revenue at a higher rate than loans coming on the market. You can sell your bond for more than its "face value" (what you put in). If, however, you buy a bond at 15 percent and rates rise to 18 percent, you are holding a large bottle of Eau de Skunk. Your bond is a 30-year commitment to pay less than the going rate, and will sell for below its face value.

While the "net flow" of bonds averaged a positive 23 percent for each of the last five years, in the second

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had a prospectus—you could see which stocks your fund was buying. Not so with interest investments. All you see is a printout of returns, no indication of where the money really went. You're off the hook.

None of this, of course, is to say that interest investments are, of themselves, unwelcome developments. They bring flexibility to capital markets and high returns to average people, encouraging savings and spreading a benefit that until now has been reserved for the wealthy. But as long as high prime rates persist, the interest-investing sector will continue to serve the entrenched at the expense of the struggling, and encourage short-term thinking when what's needed is long-term revitalization so that all can prosper. It's an unsettling sign that many pension funds have made large money-market deposits. Pension funds are supposed to foster long-haul economic expansion, creating wealth that will serve their members when they retire many years hence. Now even pension funds want profits today and tomorrow be damned. Interest investors are strip mining the landscape of American finance, blithely assuming that someone else will clean up the debris. □

quarter it was down to 11 percent, and may finish the year negative, Fed economists say.

The only thing up is the only thing left—the short-term "paper" loans in which money funds specialize. A Fed official who has seen unpublished third-quarter net flow statistics says they show "an unprecedented increase. I've never seen anything like it in my life." This portends great difficulties for any corporation that wants to invest in the future, since capital is, for the moment at least, available only on a minute-by-minute basis.

The shift from stocks and bonds to paper also influenced the creation of a large class of investors who actually favor high interest rates (see main story). Stock buyers generally hope for low rates because they bring "hot" economies and bull markets. Bondholders always root for low rates because they profit only when interest falls. Money fund investors long for high interest because they *get stung* when rates fall; all that high-yield 29-day paper evaporates before their eyes.

While a major function of American finance is shifting to money funds, can the banks be far behind? Yes. All savings and loans and many commercial banks continue to favor the Fed's Regulation Q, source of the interest-rate ceilings that inspired money funds into being. After all, Reg Q was passed at the banks' behest in the first place—a classic example of an industry asking Washington to exempt it from itself. Banks still seem to reach for regulations (like attempted anti-fund state ordinances) and bailouts (like the tax-subsidized All Savers accounts) whenever backed into a corner. "Competition" is, to most banks, as hateful a concept as "regular office hours."

The extent of banker contact with reality was demonstrated recently when the committee that administers Reg Q voted to raise passbook interest limits a stunning one-half percent. U.S. League of Savings Associations vice-president William Miller condemned the move as an "incredible blunder." California Savings and Loan League President Leonard Shane called it "unsound economically" and predicted dire things for money-strapped "thrift institutions." Shane was speaking, by the way, at the swank Hotel del Coronado on the Pacific coast, one of California's most expensive resorts, where his economically unsound association was holding a convention.

—*G.E.*

The Washington Monthly Journalism Award

August 1981

is presented to

William Trombley

Los Angeles Times

In an article that appeared on August 31, Trombley told the story of Los Angeles's non-existent Century Freeway. Over the past 15 years, federal, state, and local planners have spent $325 million on the proposed 17-mile road but have not built an inch. All the money has gone into lawsuits, environmental impact statements, and the project staff.

Trombley explained how a combination of make-work bureaucratic rules and court orders forced the proposed job to be divided into 100 separate contracts, guaranteeing a nightmare of paperwork and legal confusion.

The Washington Monthly wishes to recognize the writers and publishers who share our purpose of trying to describe how the political system really works, to determine why it succeeds, and why it fails, and to suggest ways in which it might be improved.

The *Monthly* Journalism Award is presented each month to the best newspaper or magazine article (or series of articles) on our political system. Nominations from any newspaper or magazine in the country are welcome. The subject can be government in its federal, state, or municipal manifestations.

The award for articles published in October will be announced in the January issue. Nominations will close on November 15. Nominations should be accompanied by two copies of the article or articles. Please send nominations to:

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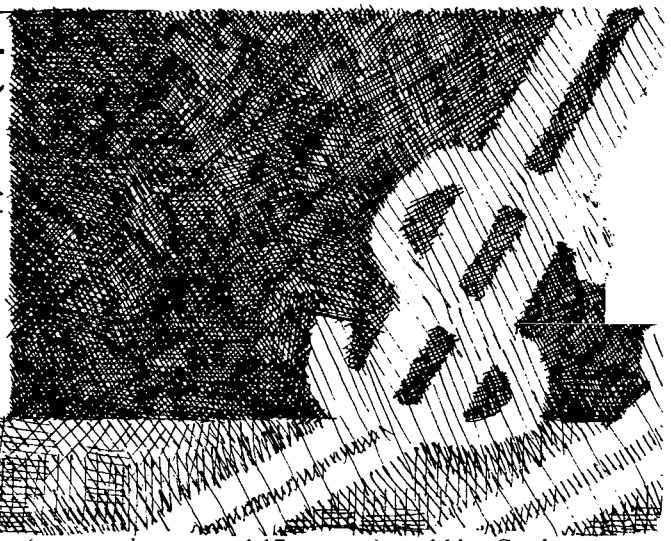
High Noon at Main and Wall



The banks wanted blood, but they settled for All Savers.

by Paul Goldberg

The "All Savers" certificate your friendly neighborhood bank is now selling appears to be the most popular bailout since the Marshall Plan. Billions in new deposits are flowing to troubled savings-and-loan institutions. And if that subsidy (uh, "exclusion") is useful only to those making $30,000 or more, while the traditional interest-income deduction available to people with passbook savings accounts has been cut in half, from $400 to $200, that's not causing much concern, either. It's a demolition derby out there, people madly crashing into each other trying to cash in on high interest rates and not worrying if a few fenders get bent in the process.

What's interesting about All Savers—in addition to the fact that it sprang from obscurity to national economic policy faster than you can say "window of opportunity"—is that it didn't begin life as a savings-and-loan bailout at all. It began as a bankers' plot to make money market funds go swim with the fishes. If we do away with money funds, bankers reasoned, then savers will have no choice but to come back to us—we can continue to rent their money for five percent, then turn around and lend it for 18 percent. Unfortunately for the bankers, they underestimated their adversary. Money market funds beat back the assault, forcing bankers to cook up All Savers. But that's getting ahead of the story.

In truth, the All Savers saga began in Nashville, Tennessee, in the spring of 1980. There a bill was lurking in the state legislature to emasculate money market funds. The bill was being sponsored by a coalition of local banks and savings and loans. The S&Ls realized what a raw deal their five-percent passbook rates were to average savers, and what a good deal money markets (now paying around 17 percent) could be. So the S&L strategy was to make money markets a raw deal, too. Eventually the commercial banks consented and went along with this plan—agreeing to join forces with their ancestral foes.

The coalition's long-range plan was to force Congress to hand over money funds to the Fed for regulation. The Fed would require funds to set off a portion of their assets in non-interest-bearing accounts, thus reducing the overall yield, and would also impose a variety of petty encumbrances to make the funds as inconvenient to use as possible. Congressional action would be accompanied by a campaign to demolish money funds at the state level. Tennessee took up an anti-fund measure, as did Rhode Island, where legislation whizzed through the state's house the day before recess. In Texas, the state senate added a crippling one and a half page anti-fund rider (requiring three-quarters of a fund's directors to be Texans) to a house bill that was a single sentence long. Soon at least 12 states were contemplating anti-fund action.

The bills were couched, of course, in the language of consumer protection. Money funds aren't federally insured, and so, although no one has ever lost a dime in one, bankers' lobbyists did their best to portray the operations as only slightly less risky than baccarat tables. From the mountains to the prairies, upstanding folks were told they needed protection from "carpetbaggers." "Money market funds are nothing more than an opportunity for the Northeast establishment to come into Texas with what appears like a bank, take money out of Texas and back to the Northeast," state senator Bill Meier complained.

What Meier said, of course, was true. What he neglected to add is that much of the money does a

Paul Goldberg is a Washington writer.

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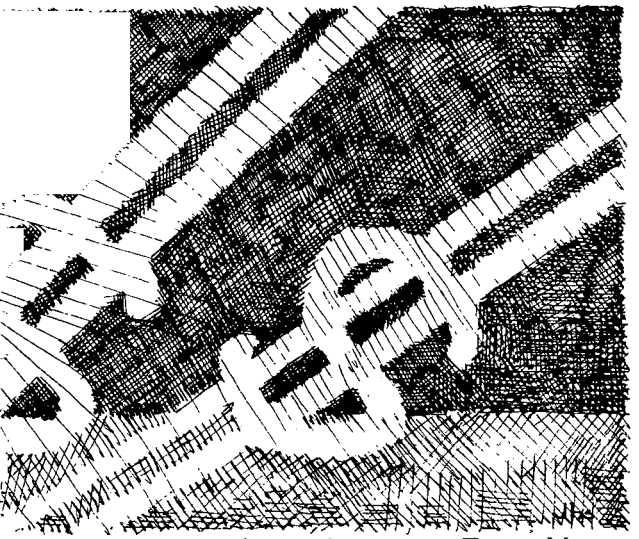

quick about-face and returns to Texas. Money funds are located in the northeastern financial centers (primarily New York). But most of the money they get is promptly sold to corporations or large banks, which in turn farm it out to correspondent banks even in remote wilderness regions like Texas.

"Did I Sign That?"

But, alas, the money market managers were not sleeping. Every time an anti-fund bill was introduced in a statehouse, the Investment Company Institute, lobbyist for the funds, would send an emissary threatening to pull money funds out of the offending state altogether. He would herald the threat on talk shows, radio commercials, and in newspaper ads. There's a hefty number of people out there who like to see their money earn 17 percent instead of five percent, and soon they buried state capitals in angry letters. A lot of state legislators like a good yield on their money, too, and slowly began to realize that they were outsmarting themselves. All the state anti-fund bills began to collapse. One cosponsor of the North Carolina anti-fund bill typified the turnaround. "Did I sign that?" he said in astonishment to a Winston-Salem *Journal* reporter.

Banks and S&Ls had made a strategic error by attacking the funds this way in the first place. Only ten percent of the money funds' deposits lie in accounts of less than $10,000. Those with less than $10,000 are the suckers who would be driven to five-percent passbooks if the funds folded. The 90 percent with more than $10,000, however, could still buy CDs and Treasury bills and other high-yield instruments. So even if the anti-fund forces prevailed, they wouldn't win back enough capital to reverse the decline of S&Ls. Logic dictated that the banks and S&Ls should pick a different fight. But instead the coalition took its cause to Washington, where logic is seldom a consideration.

The banks began to concentrate their energies on anti-fund bills before Congress. This time, fund shareholders nationwide were inspired to action. It's estimated there are three million money-fund shareholders with less than $10,000 to deposit—that is, the people the banks wanted to mug. They wrote letters like crazy. Some 500,000 angry missives descended on Capitol Hill. To borrow a Reaganesque visual aid, that's a stack more than three miles high, assuming each letter is folded in thirds and the wind doesn't blow.

Behind the letters was a well-orchestrated counter-campaign by the funds. "Only by writing personal letters can you protect yourself against these outrageous efforts to rob you of your money solely to perpetuate elegant lifestyles and inefficient banking and thrift institutions," Reserve Fund Inc. wrote in a letter to its shareholders.

"Politicians need two things," the Reserve Fund letter continued, "votes and contributions. Bankers make contributions, but you have the vote." Fund investors proceeded to vote with their stamps, and the fund-killing bills fell through in Congress, too.

All Saver Favor

But the battle did not end in a Dunkirk for the S&Ls. One of the curious rules of Washington lobbying is that it's not whether you win or lose, it's how long you play the game. Just hang in and keep pleading. During the anti-fund battle, the thrift-led coalition had become politically sensitized. Many a local S&L president had made personal contact with his representative. Ominous news stories had been generated about the S&Ls' plight, and an air of pity had come to surround S&Ls in general. "By the time we were through hearing from all of them," one congressional aide recalls of the S&L managers, "we had heard from every town in the state. It's pretty hard to turn a deaf ear to them." So Congress said, Fellas, we won't kill the money funds for you, but what else would you like for Christmas? All Savers was concocted, passed, and put into place with blazing speed.

As it turns out, All Savers is a curious sort of financial salvation. While it's pulling money into S&Ls, commercial banks, and credit unions, it's doing so not because of competitive rates (All

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Savers certificates earn 70 percent of the prevailing T-bill rate, which at this writing was about 12 percent) but because of the tax exemption. So average taxpayers—the bulk of whom aren't in the $30,000-plus bracket that benefits—are paying for the bailout. Estimates of the tax subsidy involved range as high as $10 billion in 1982. Meanwhile All Savers is a once-in-a-lifetime deal. The $1,000 interest "exclusion" can be used only once—if you use it this year, forget it next year. Which means there'll be no permanent shift of money into banks. It will come to rest in banks for a year, then flee back to the money funds. The main thing All Savers seems to accomplish is adding more confusion to modern lending, which, considering fluctuating interest rates and the collapse of the bond market, already has a Barnum and Bailey quality. By the way, when the All Savers tax advantages are used up in a year or two, banks are sure to come begging to Congress for yet another transfusion of, shall we say, creative financing.

There's one more twist to the All Savers tale. Just as the bankers were about to exit from the stage, a giant sandbag was dropped on their heads by the housing industry. For a year the brick-and-mortar boys—a coalition of realtors and builders—had been begging for relief from high interest rates. Since All Savers was the biggest bailout going, and seemed to be sliding through Congress unopposed, the housing lobbyists decided to hitch a ride on it. They got an amendment attached saying 75 percent of the All Savers deposits had to be invested in housing.

This did not sit well with the banking forces. First off, credit unions don't like housing loans, preferring short-term personal loans. Commercial banks don't like mortgages, either, because you can make a lot more by turning money over fast than tying it up in thirty years' worth of plaster. But surely S&Ls, the Santa Claus of housing, would favor this requirement. After all, S&Ls were invented to make home loans in the first place. But no. The "thrifts" thought a coalition with builders would make their bailout too obvious—and thus jeopardize it.

But once again the bank lobby had made a crucial mistake. It had underestimated the great American love affair with front porches. There is tremendous political support for low-cost housing loans. Congressmen—burdened by the widespread impression that All Savers was a special-interest bailout—realized they could mollify the public by adding a pro-housing aspect to the bill. The housing industry played this sentiment perfectly. As Thomas N. Bethell has written, "When the lemmings begin to move, the resourceful lobbyist knows which cliff to steer them over." The 75 percent mortgage money addition was tacked on, exempting only credit unions and banks specializing in agricultural loans.

Loosening Loopholes

This development infuriated commercial bankers. The American Bankers Association, voice of the commercial banks, cursed the day it joined accounts with the S&Ls. ABA president Lee Gunderson issued a statement his own press-relations man called the strongest ever to emerge from the association: "Once again it is . . . the government dictating to the marketplace its idea of what is best for the American public. . . . The marketplace does not work when basic economic decisions are dictated from Washington."

Of course, it had been the banks and S&Ls who started this whole sweepstakes in the first place with their demand that Washington dictate money funds out of the marketplace. It had been the banks that wanted taxpayers to subsidize basic economic decisions about where to deposit money via the All Savers tax shelter. But never mind. Banks may have the last laugh anyway. During the riptide rush to get All Savers out of Congress, bank lobbyists inserted the harmless little word "related" into the housing-finance section. It now read that 75 percent of All Savers capital had to be funneled to housing *related* investments. One type of housing-related investment is Fannie Mae and Freddie Mack paper—debt instruments used to serve *existing* home loans through the federal clearinghouses that buy up mortgages. This kind of instrument doesn't lead to new construction at all, but it does pay relatively high yields and offers more flexibility than long-term personal mortgages. Another neat loophole gave banks the option of placing into housing 75 percent of the All Savers capital *or* 75 percent of the *net gains* to a bank's total deposits under the All Savers regime. Since much of the All Savers money will come merely from account transfers within the bank itself—from, say, passbooks to All Savers—*net* gains may be small, letting banks off the hook.

Edward Brooks, president of Security Federal Savings in Richmond, Virginia, summed it all up for public television's Jim Lehrer. "I am not so sure that the design [of All Savers] was to help out the savings and loan business," Brooks said, without cracking a smile, crossing his fingers, or making his nose grow to the length of a Louisville Slugger. "I don't know where that idea started. I think it started in the press." □

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Babies, Strikes and Compulsory Unionism Don't Mix.

Marlene Swanson, R.N., is a dedicated nurse who takes care of newborn babies, many of them premature, most of them black and Hispanic, and all of them in need, at a community hospital outside Providence, Rhode Island.

When an illegal strike was called, Marlene refused to join it. She crossed the picket line and reported to work because, as she says, "Nurses take the Hippocratic oath too, like doctors. I felt a moral responsibility to those infants."

Angry union officials immediately retaliated. Marlene, along with the other nurses at the hospital, had been forced to join the union to keep her job. This compulsory union membership, union officials claimed, made all nurses subject to fines for any disobedience of their decisions.

They charged Marlene Swanson with violating union by-laws, held a sham "trial," and fined her $250 for taking care of her infant patients during the strike. When Marlene appealed the fine to the union membership, they increased it to $300!

An undaunted Marlene refused to pay the fine, and the union took her to court. At first, she didn't know where to turn for the legal help she urgently needed. After all, she was just one member against the entire Rhode Island State Nurses Association.

Then she remembered reading about William F. Buckley, Jr.'s legal battle against a union, and called his office. She was referred to the National Right to Work Legal Defense Foundation, which agreed to provide counsel.

A defense was prepared and presented so effectively that the union suggested the case could be settled out of court if Marlene would give the fine to charity. She flatly refused "because a lot of other nurses were watching to see what happened to me. I could not admit I was guilty of anything."

A judge of the Rhode Island Superior Court emphatically agreed, handing down a directed verdict against the union and for Marlene Swanson. Judge Clifford J. Cawley ruled that state public policy was quite clear that strikes by nurses were illegal, and that it is the "zenith of asininity" to fine anyone for failure to take part in an illegal strike.

The importance of Marlene's victory became quickly apparent. When another illegal strike occurred at the hospital, not just one, but 18 nurses crossed the picket line, putting their patients first and their union second.

Marlene Swanson was fortunate. She received experienced legal help in a case that lasted nearly two years. She would not have won and established an important principle—that nurses cannot be compelled to participate in an illegal strike—without that expert legal assistance.

The National Right to Work Legal Defense Foundation is helping everyone it can—currently in more than 100 cases involving illegal union political spending, violations of academic and political freedom, union violence, and other abuses of basic employee rights.

If you'd like to help people like Marlene Swanson, we'd like to hear from you.

The National Right to Work Legal Defense Foundation
8001 Braddock Road
Springfield, Virginia 22160

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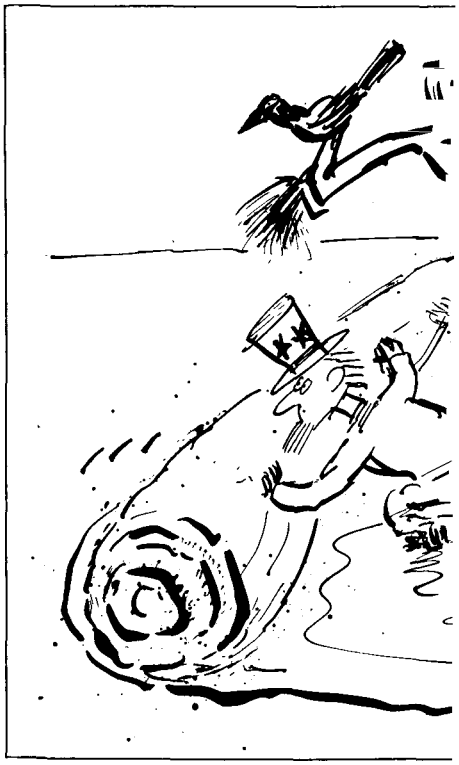
THE WET, WET WEST

If there's a "water shortage," why are they growing rice in California?



by Ronald Brownstein and Nina Easton

As a public issue, water usually doesn't cause much of a ripple outside the West, but lately it has been splashing all over the covers of national magazines. Reporters and photographers invariably return east with the same story of despair—drying streambeds, overdrafted rivers, parched landscapes. And the articles invariably ask the same question: Are we running out?

The answer is yes, but it misses the point. It doesn't say anything about why we're running out. The reason is that water is too cheap. If it weren't too cheap, it wouldn't be overused, which would mean it wouldn't be scarce, which in turn would mean it wouldn't be the subject of magazine stories. Simple enough.

But the explanation of exactly how water came to be so cheap out west is not simple at all. It's a complicated story that has to do with dreams of national growth and dreams of getting rich. That other factors get in the way of those dreams—water shortages, budget crises, fairness of distribution questions—hasn't dampened the enthusiasm with which they're embraced.

Of course, in the West, water is power, as John Wesley Powell first pointed out more than 100 years ago. In a classic 1878 report to Congress, Powell wrote that while land was abundant in the West, water was scarce, so whoever controlled the water would also control the land—the reverse of the situation in the East. Without water, he reasoned, the homesteaders wouldn't stand a chance. This brought him to the conclusion that federally subsidized irrigation projects would have to be built.

These projects have had their uses. They've turned arid land like the San Joaquin Valley into one of the lushest and most productive farm areas in the country, and they've helped make the West inhabitable for large numbers of people. But in recent years, as dams and projects have gone up in all the most appropriate spots, the idea of never-ending irrigation no longer makes sense. Not only have the projects become the personification of wasteful pork-barrel politics; they've thrown nature—and the western economy that is based on it—out of kilter.

At every step of the way, the projects and the subsidies they create have made it cheaper for people to use water than to save it. The water from these projects is priced at such a cut rate that use by farmers has become more than profligate—it's downright destructive. While the West as a whole lies parched, individual farmers act as if water is as plentiful as air. The legal claims on

Ronald Brownstein and Nina Easton are staff writers for Ralph Nader.

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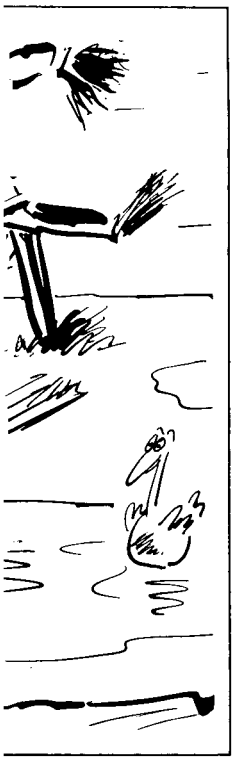

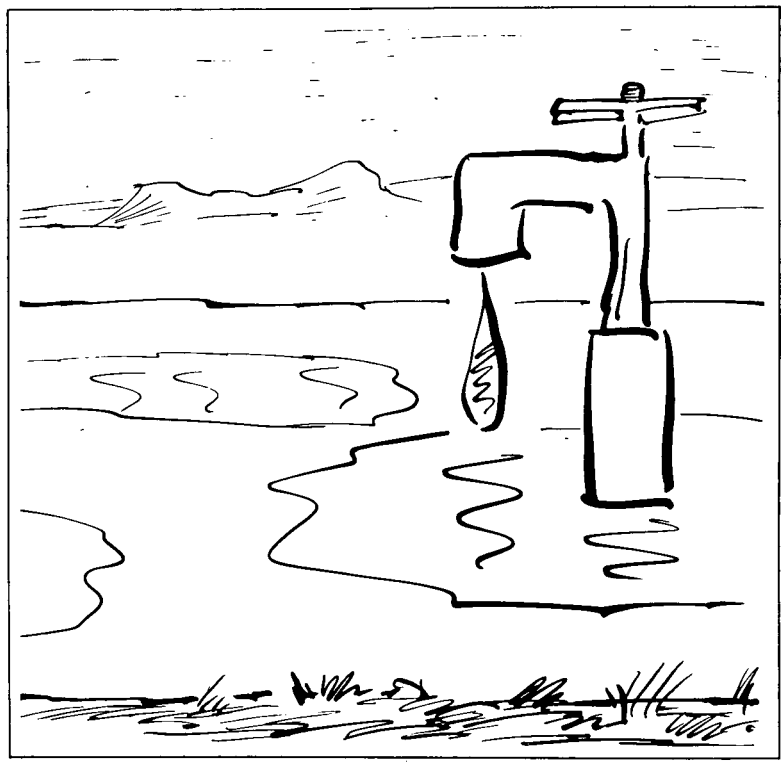

ILLUSTRATIONS BY ROBYN JOHNSON-ROSS

the Colorado River, for instance, are almost 20 percent greater than the yearly flow of the river itself. "If you don't control use," says an aide to Representative George Miller of California, who has been active on the issue, "you won't have enough water even if you dam all of northern California and turn Oregon into a lake."

It would be one thing if copious water were necessary to make farming efficient and productive. But it isn't. A General Accounting Office report recently concluded that more than 50 percent of the country's irrigation water is wasted.

And it's a select few who get to do the wasting. When Congress, under prodding from Teddy Roosevelt, set up the Bureau of Reclamation in 1902, it intended the cheap water to go only to small and medium-sized farms. "The purpose, so far as the right to use water is concerned," said the father of the Reclamation Act, Francis G. Newlands, back in 1901, "is to prevent monopoly of lands." Of course, things haven't turned out exactly as Roosevelt and Newlands envisioned. In fact for 80 years the law has been honored in the breach. Almost half of the western land receiving subsidized water is owned by a handful of farmers who have never bothered to conform to any acreage limitation.

In fact, the group of farmers now receiving and wasting the taxpayer-sponsored cheap water includes some of the biggest, most successful farmers in the country. They've learned to ignore the laws they don't like and live by the ones that suit them. The ones that suit them most, of course, are those that allow them to buy their water at a fraction of its cost of production.

The Price Is Wrong

Why big farmers get a water subsidy isn't too hard to figure out. They hold sway politically—and always have. The more interesting question is *how* the water comes to these western farmers for five to ten percent of what it should cost. How have they made this little arrangement work?

When municipalities receive federal water, they raise the money to repay the government through a water user's tax. Farmers start out the same way. Before a project is begun, they organize a water district, which has the legal authority to levy taxes and negotiate a rate and repayment plan with the federal Bureau of Reclamation. The water district charges farmers on a per-acre basis, then pays back the federal government. Districts that benefit from smaller projects, such as diversions and canals, handle operations and maintenance themselves; larger projects are contracted entirely to the feds.

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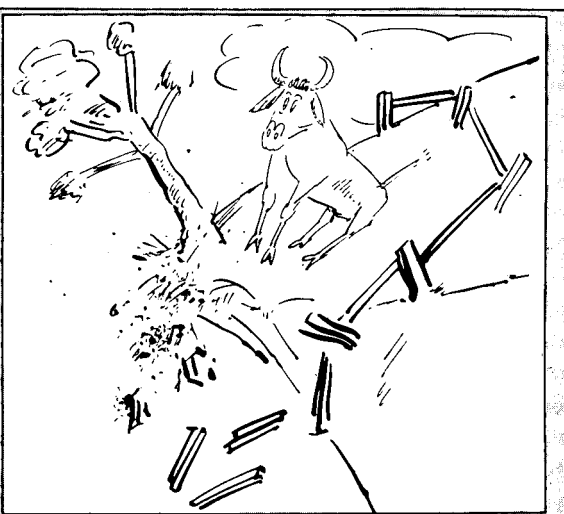
If you haven't yet spotted where the subsidy comes in, don't worry. A system of this kind can be pulled and twisted like a weed when placed in the right hands. Take interest payments. Recipients of water provided by a particular project are supposed to pay back the government the cost of the project over 40 years or so (after a grace period of up to ten years), but in the case of farmers, this has been interpreted to mean *without interest.* Given inflation, of course, interest-free loans eventually become indistinguishable from handouts. The GAO recently studied several projects under construction and estimated that by the time the costs are repaid, the subsidies will total in excess of 90 percent. Even municipalities are sometimes forced to chip in small amounts of interest on their share of a project's cost, but farmers ante up literally nothing extra.

And the principal that farmers repay the government has been whittled away, too, through something called an "ability to pay" provision. Like "the public interest" or "fairness," "ability to pay" is one of those legal definitions that leave a lot of running room in the backfield. The water district determines that ability by analyzing farm size, price, type, and quality of crops, and how much increase in profit a new water project would create. It is a subjective process, to say the least, one that the GAO charged this year is often aimed toward guaranteeing profits for the farmers.

Routinely, even the most successful of landowners are not found to have much ability when it comes to paying for the project. In the San Joaquin Valley, for instance, the Friant-Kern Canal provides water for land owned by Getty Oil,

THE GONE EARTH
Part I
Will we have to grow wheat on Astro Turf?

by Cary Kimble



When farmers—from the West and elsewhere—go to Washington each year to plead for their subsidies, they have to conjure up some very inspired arguments for why farming isn't like other businesses and why it shouldn't be subject to the whims of the free market.

The best abstract argument usually goes something like this: farmers have a special responsibility not only to feed the nation and serve as a breadbasket for much of the world, but to serve as the guardians of the country's most precious resource—land.

That sounds very nice, and along with some other minor considerations like farm-bloc voting power and enormous campaign contributions by agricultural groups, it's usually enough to keep the farmers' safety net in place. Even this year, despite Reagan's modest attempts to prune it, federal aid to farmers will include not just water but generous price supports for many crops, tax advantages for farm investment, crop insurance, and a bountiful assortment of other delights.

If it's true that those who receive special benefits from the government also take on special obligations, you might expect that farmers would be required to do their part to preserve the natural legacy of the land. Not so. Even suggesting that farmers have a responsibility to practice some form of soil conservation in exchange for the subsidies is heresy. Voluntary conservation is as far as they'll go.

This would be just another routine case of selfishness and hypocrisy on the part of an interest group if it weren't for the fact that such thinking may kill the golden goose. Our very success in producing vast quantities of good, cheap food—and it is one of the great triumphs of modern world history—has been accompanied by an extravagant failure to take care of the land properly. Our bitter harvest may be of dust.

The truth is that the country is losing more topsoil to erosion today than it did during the worst days of the Depression dust bowl. By the most conservative estimates, wind erosion will cause the loss of about one billion tons of topsoil this year. That's nothing, however, compared to the four billion tons eroded by another, perhaps

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Tenneco West, J. G. Boswell (a huge cotton corporation), and other prosperous companies. Their ability to pay for the water was calculated by the water district to be $3.50 per acre-foot—one-seventh of what even low-priced California state-produced water costs.

And there's yet another step where the government's generosity can display itself. After calculating the ability to pay, the water districts enter into negotiations with the Bureau of Reclamation to agree on the district's overall share of the cost of a project. Since most of the irrigation projects double as generators of electricity, and the power companies pass on costs to the consumer, the water districts don't have much of a tab anyway. And what bills they do have are negotiable.

This is good news for farmers. The Bureau, as you might imagine, doesn't drive a very hard bargain with the locals. It can't be tough without jeopardizing its role as the government agency devoted to reclamation. The result is that the contracts with the water districts get influenced by local farm politics and end up favorable to the party that cares most—the farmers.

One water district has figured out how to make the water even cheaper. The huge Westlands district near Fresno, California, never bothered to sign a long-term contract with the U.S. government and has operated for more than 15 years under short-term contracts that come on very favorable terms.

Now, finally, Westlands is being called on the arrangement, and the man forcing the district to sign a longer contract on better terms for the government is none other than James Watt, long the

less natural force—water.

Yes, a lot of that water the federal government has helped pump into American farms may some day hurt those farms much more than it helps them. It will hurt, in the long run, not only because the overuse of water is itself causing erosion, but because of what the water represents—a federal commitment to production above all else. Though the government sometimes tries to keep prices high by paying farmers not to farm, the overall thrust of Department of Agriculture policy is to spur production. This has been especially true since the 1972 Soviet wheat deal, when the government began to think about feeding not only Americans and allies but our adversaries as well.

That thinking, combined with the rise of the absentee landowner, has given us too many farmers who plant fence-row to fence-row and neglect to rotate crops (it's more convenient and thus more profitable to stick with a single crop). Doing so leaves the land more susceptible to the elements and prevents proper rejuvenation.

There are two government agencies charged with confronting the problem: the Soil Conservation Service and its rival, also in the Agriculture Department, the Agricultural Stabilization and Conservation Service. Both tend to do what *worsens* soil erosion rather than eases it. A 1977 GAO report declared that production, not conservation, was the main goal of the department's *conservation* programs. More importantly, the report found that farmers who participated in USDA conservation programs were not doing any better with soil retention than those who did not participate. Since then, the department has instituted some reforms, but these have yet to scratch the surface of the problem.

Federal conservation efforts have been unsuccessful not only because they have stressed production, but because they have been viewed as more meddling from Washington. This is why Reagan's Agriculture Secretary John Block is not inclined to do much about the problem, though he admits it may be the most serious issue faced by his department.

What Block has so far ignored is that soil conservation can in fact be accomplished in a way that is consistent with Reaganism: it can be done locally, through what is called "cross compliance"—a requirement that farmers accepting federal aid comply with some rudimentary form of locally designed soil conservation. Where local circumstances differ, requirements would differ. Tilling the land less when planting, for instance, can in some cases reduce erosion by 50 percent. Crop rotation and planting grass after harvest are other remedies.

Because he wants to pass down the farm to his children in good condition, the family farmer often makes a greater effort than others to practice some of these expensive soil-conservation methods. But the big land-management companies sometimes interested in squeezing the land for all it's worth and then selling out to developers often think short-term. For them, soil conservation makes about as much sense as giving your car a tune-up on the way to the used-car lot.

These farmers must be made to think differently. If they want federal subsidies, they must agree to help preserve the land for the future. That's not a bad bargain—for farmers, or for the country.

Cary Kimble is a Washington writer.

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defender of the large corporations that own most of the land in Westlands. Watt isn't asking much. He simply wants to raise the price of Westlands water from $7.50 an acre-foot (they pay $12.50 an acre-foot above a certain quantity) to about $13. That's still only about *half* the price of water provided by the state. Any way you look at it, the rich farmers continue to make out fine.

But to hear it from them, their old friend Jim Watt is selling them down the irrigation canal. With the subtle touch that has won him so many admirers among environmentalists, Watt threatened to cut off Westlands's water next January if it didn't sign the long-term contract. Westlands sued Watt, and the Environmental Defense Fund, siding for once with its nemesis, tried to enter the case on the government's behalf. Watt apparently found that even more unpleasant than being sued by the landowners, and he opposed EDF's efforts to join. The judge, sensing a free-for-all, agreed.

The remarkable thing about the case is how insatiable western landowners are. According to Department of Interior figures, Westlands farmers are already taking in a subsidy of $1,422 per acre over the course of their repayment period. For someone with 1,000 acres, that's about $1.4 million from Uncle Sam over the years. For the couple of dozen companies owning tens of thousands of acres in the Westlands district, that's—well, you can figure it out.

Outlaws

Sure, the size of the farms receiving the cheap water is alarming—it means a few rich men and companies get richer by virtue of the government (and it doesn't make food cheaper—the Department of Agriculture says the optimum size for a farm is 200 to 400 acres). But the whole arrangement is also *illegal*. Under the 1902 Reclamation Act, which is still on the books, cheap federal water is limited to those owning 160 acres or less.

"FRANK CHURCH deplores the Administration's 'rigid anti-Soviet ideology.' Let's unpack this formula, shall we? 'Rigid' means firm where you should be squishy. 'Anti-Soviet' means negative without provocation. 'Ideology' means it's all in Reagan's head: there's no Soviet threat. Thank God this sort of Newspeak is becoming Oldspeak."

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Even when interpreted as loosely as possible, the outer limit is still under 1,000 acres. And the framers of the law tacked on a residency clause requiring farmers to live near their farms, an obvious reference to the big landholders of the day—railroads.

Of course, passing a law and enforcing it are two very different things. The railroads and the big growers bet that they could both keep their huge holdings and receive federal water, and it was a smart wager. Seventy-five years after the act was passed, about 91 percent of the farmers receiving water were in compliance with the acreage limitation, but the nine percent not in compliance owned 48 percent of the land in the program.

Over the years, the landowners figured out various ways to get around the acreage limitation. Some transferred the land titles to "paper farmers" (friends or even foreign investors who would hold the extra land). Others signed contracts promising to turn over the excess land several years down the road. But for the most part none of the landowners had anything to worry about. In the decades since the Progressive Era, the government has never been much interested in taking on the big growers.

But in 1976, a group representing small farmers finally won a court order forcing the Department of Interior to issue regulations enforcing the Act. When Cecil Andrus complied in 1977, the big landowners went to court—after consulting with James Watt, then head of the Mountain States Legal Foundation—and successfully suspended the rules. Watt and company took a leaf from the environmentalists' book: they charged that Andrus had neglected to fill out an environmental impact statement. What's more, the ploy worked.

By the time Andrus finally got clearance to issue the regulations forcing the big farms to split up or pay up, the Carter administration was in its final hours. And the new secretary, while willing to tangle with growers over the exact price of water, is not about to step across the bar and challenge a time-honored way of doing business that he recently helped defend. In fact, Watt suspended the regulations in February and is now drafting legislation to revise the Reclamation Act and eliminate once and for all Teddy Roosevelt's silly notion that government water should go to those who need it.

Down the Drain

Of course, if fairness and legality were all there was at issue, this wouldn't be much of a new

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A *TWM* Profile

What kind of person gives *The Washington Monthly?*

NAME: Santa Claus

CAREER: World-wide distributor of Rodin bookends, pictures of dogs flushing quail, Adolfo sweat socks, etc.

HOBBIES: Globe-trotting to find who's naughty and nice; challenging himself with the *Monthly*'s political puzzle.

LAST BOOK READ: *How Washington Really Works* by Charles Peters.

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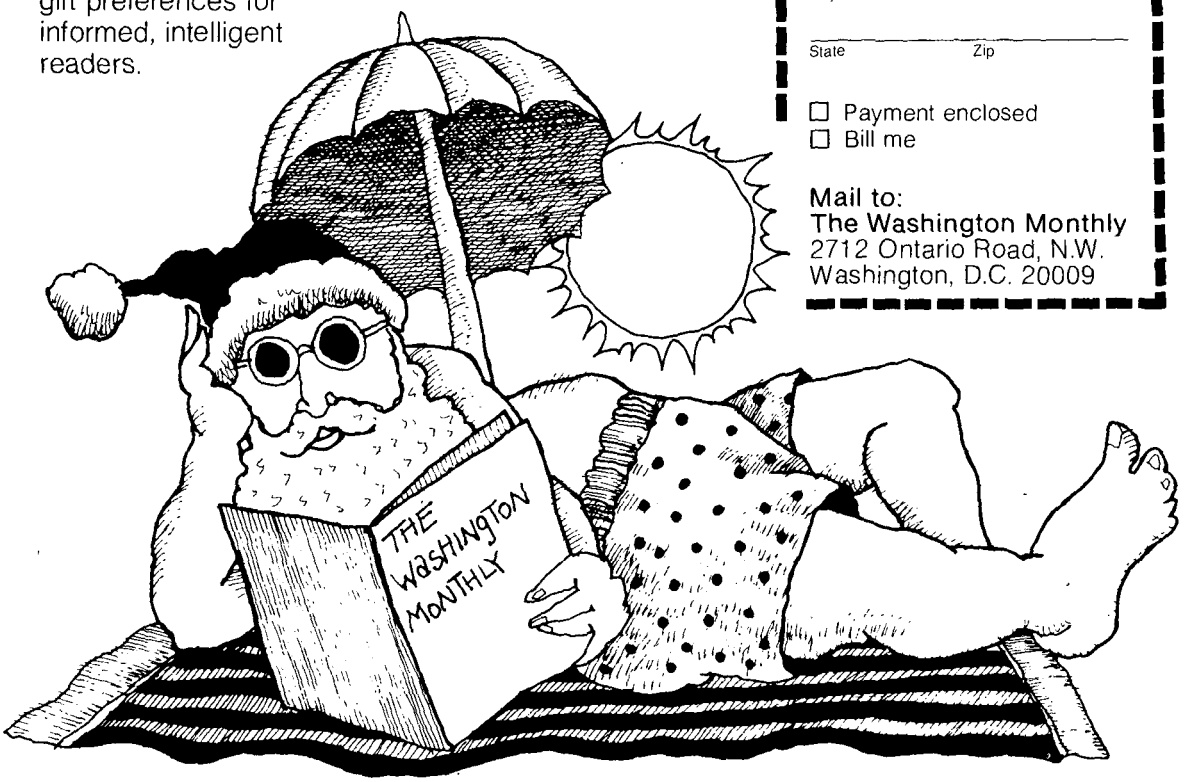

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story. These ideals have been knocked around by western water interests for 75 years. No, the real issue here is use. The reason for enforcing an acre limitation would be to prevent water from being wasted. If those big farms had to pay for their water, they wouldn't take it for granted. They wouldn't throw land into production that is poor in quality, and they wouldn't flood fields that could just as effectively be sprinkled. Most of all, they wouldn't create a drainage problem (that's right, *drainage* in the dry West) that may cost billions of government dollars to solve.

Farming arid land isn't objectionable in itself. But it has gotten to the point where much of the land is farmed for no reason other than that water is dirt cheap. If farmers have to pay only five or ten percent of the water's cost, they will always find a new patch of land to add to their farms. Many of the farms in Northern California's Glen-Colusa water district, for instance, grow *rice,* one of the most water-intensive crops of all. Instead of using sprinkler systems, many western farmers often employ less expensive open-ditch irrigation, which consumes many times as much water. The net effect is a situation where some western cities have to set up water-allocation programs while the farms outside of town go hog wild.

But in throwing practically every acre that isn't already under a house into production, the farmers have included hundreds of thousands of acres that should never have been farmed. Westlands was so inspired by the cheap water that it managed to convince the Bureau of Reclamation to add a few pipes here, a few pipes there . . . until it had tacked on 130,000 acres that *were never supposed to have received water from the area's projects at all.*

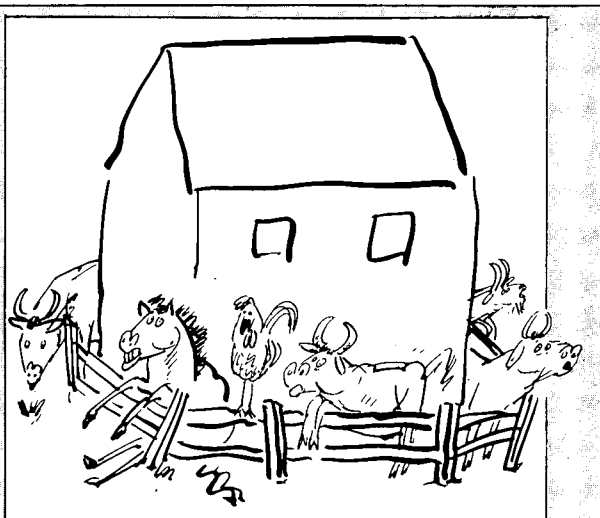
The reason this acreage wasn't supposed to receive water is that like so much land in the West it doesn't drain well. The problem is this: The sun evaporates the purest part of the water left over from irrigation, leaving the saltier stuff to drip

THE GONE EARTH
Part II
Will we have to grow wheat on concrete?

by Tom Graves

Looked at as a whole, the realities of modern farming are stranger than an udderless cow. On the one hand, there's the West, where water is priced so cheap that it often makes sense to farm arid land. On the other hand, there's lush farmland in the East and Midwest that is worth so much when converted to other uses that it often makes no sense to farm at all. To put it another way, we sometimes end up farming the worst property and turning the best into shopping malls.

The result of the latter trend is that the country may soon be facing a shortage of what the Soil Conservation Service defines as "prime" farmland, land with the most favorable soil types for production. According to the federally sponsored Agricultural Lands Study, three million acres of prime farmland are converted annually, about 70 percent of them to make room for urban sprawl. The other 30 percent is flooded with water impounded for sewer lagoons, power plants, irrigation, or fresh drinking water. Still more land is idle because farmers near housing projects find it difficult to farm around their new



neighbors. Iowa has lost 1.2 million prime acres since World War II, Texas has lost 1.6 million just since 1975, and Florida may lose all of its prime farmland within the next 15 or 20 years.

In relation to the total acreage of the whole country, that's not very significant. But the lush topsoil that first attracted European settlers to the North American continent is not present everywhere, and if we continue to build on it instead of the less fertile land nearby, there won't be much prime farmland left by the end of the century. What's particularly frightening is that the problem of disappearing prime farmland first became acute during the 1970s, when urban growth and construction *tapered off.* Imagine what could happen during boom years.

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down below the surface. This creates pools a few feet down that get pulled up through the roots and hurt crops. If the pool gets all the way back to the surface, the remaining water will evaporate and the salt will form a crust over the soil. In other words, the land is always either flooded or on its way to being a desert again.

Having created this drainage problem by using water where they shouldn't, what would you expect the water districts of the San Joaquin Valley to do next? Silly question. Why, plan a drainage project, of course, at a cost to the state and federal government of as much as $1 billion. The farmers figure if they keep pouring on the water and keep making noise about the desert wiping out farmland, sooner or later the feds will crack and come up with the money.

Whether they will crack on this and many other water projects on the drawing boards (or already under construction) is unclear. A major conflict on the water issue is shaping up within the Reagan administration. Reagan has no interest in going out of his way to alienate western farmers, particularly because many of the California growers are among his oldest friends and backers. Their ties to others in the administration—Attorney General William French Smith, for one—are also nothing to scoff at. But the budget-cutting fever is such that federal commitments for new water projects are unlikely. No new project starts were announced this year, and in the latest round of budget cuts, the Bureau of Reclamation is slated for a $100 million trimming.

The bottom line, then, is no infusion of money for water projects for awhile, but also no efforts to change the water-pricing system so less water is wasted. Of course, until the price of water for farmers more accurately reflects its real cost in the marketplace, gross overuse will continue—as will those stories about how the West is running dry. □

The farmers themselves are in a pickle on this one. They don't exactly cheer the disappearance of farmland, but they also want to be able to sell their assets when they want to—or, more likely, when they have to. For the absentee landlords and land-management companies that own farms close to urban areas, the dilemma is less painful—but the problem exists for all farmers. Realities are forcing them out of farming, and if that means paving over some of the nation's best topsoil, well, they sometimes have no other choice.

With the Reagan administration's new tax cut, inheritance taxes—the traditional bane of family farmers—have been virtually eliminated. But it's real estate taxes that often cause the conversion of the land to other uses. In most states, land is appraised for taxes on its value in the marketplace, so once development begins in an area bordering farmland, the assessment on farm acres jumps dramatically—and pushes the farmer over the edge. The average price of an acre of farmland in Loudoun County, Virginia, for instance, has jumped from $147 in 1950 to more than $4,000 an acre today.

Until recently, the U.S. Department of Agriculture also contributed to the problem. Incredibly, the department's Farmers Home Administration was helping finance water systems, rental housing, industrial parks, and other projects that resulted in prime farmland conversion. The Carter administration stopped that, but USDA is not yet an advocate within the government of farmland preservation. Reagan's secretary of agriculture, John Block, showed some signs of sensitivity to the issue when he headed Illinois's agriculture department, but he's up against philosophical objections from conservatives that will probably prevent any federal action. Last year, a bill merely declaring that solutions to the problem of disappearing farmland should be *studied* was rejected by the House of Representatives. It seems the Farm Bureau, the nation's largest farm group, convinced the House that even worrying about the problem smacked of "federal land-use planning," which in the Farm Bureau's mind is a code word for socialism. That the Bureau's position may eventually destroy farming (and thus the Bureau itself) didn't seem to faze the lobbyists or members of Congress. No change is expected in this session.

Farmers have an understandable resentment toward land-use planning. Who wants to be told by the government not to sell his land? Still society as a whole does hold a certain stake in assuring that our best farmland doesn't get turned into garages and rec rooms, and the medicine to prevent that doesn't need to be as poisonous as conservatives think. But first we have to figure out what that medicine is—which combination of tax incentives and local zoning ordinances would both respect the rights of farmers and encourage development of less-prime land. Doing that requires an acknowledgment that the problem exists. Farmers, and the rest of us, might start there. □

Tom Graves writes on agricultural topics in Iowa.

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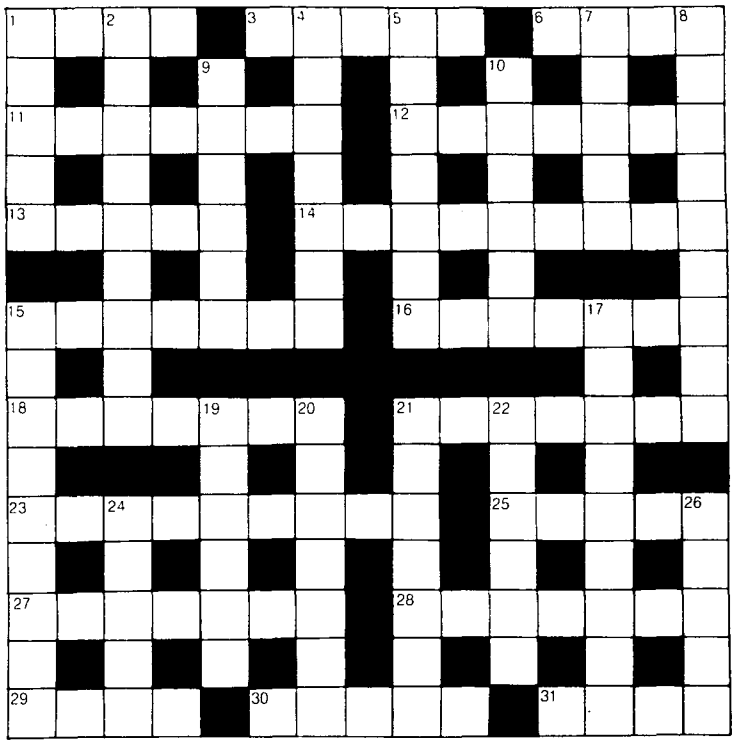
The Political Puzzle

by John Barclay

The numbers indicate the number of letters and words, e.g., (2,3) means a two-letter word followed by a three-letter word. Groups of letters, e.g., USA, are treated as one word.



ACROSS

1. See 31 Across. (4)
3. See 31 Across. (5)
6. Fellow who makes one sore? (4)
11. See 31 Across. (7)
12. See 31 Across. (7)
13. Cheerleader Commissioner? (5)
14. Places ornate Inca stool. (9)
15. Overdue story back in bed. (7)
16. Mere ups become the highest. (7)
18. Goes to court for appearing? (7)
21. Records of confused *Sun* item. (7)
23. Ten mangle atrociously one above the crowd. (9)
25. Strange stern tears. (5)
27. Rank created in new lord, in a loose way. (7)
28. Desire created via CARE package. (7)
29. See 31 Across. (4)
30. See 31 Across. (5)
31. Informal title held by 1, 3, 11, 12, 29, 30 Across, and 21 Down. (4)

DOWN

1. Good book gets good grade in liver product. (5)
2. Fights for crazy Roger's first egg lusts. (9)
4. Strange 154 day description of old building. (3-4)
5. Blocks things? (7)
7. Must arrange oaths. (3,2)
8. Avengers shun piers selectively. (9)
9. Bordeaux product involved cartel. (6)
10. Take evening meal in humble dwelling for silence. (4,2)
15. Accomplishes with second circuits removed? (6,3)
17. One sex event upset broad. (9)
19. Freudian term and fish out of gear. (6)
20. Scrambled male egg for handicap. (4,3)
21. See 31 Across. (7)
22. Set Marlon right. (6)
24. Andre wildly attacks big business. (5)
26. A pace around the point is difficult. (5)

Answers to last month's puzzle:

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WHO'S WHO in the Administration

The big question in Washington is why **Ronald Reagan,** worried as he was about the deficit, did so little to eliminate the tremendous waste at the Pentagon. One possible answer—see "Tilting at Windmills" for another—involves a factor known in Washington as "subordinate power."

If you want your subordinates to be loyal to you, you must be loyal to them. Reagan had three key subordinates on the Pentagon-cut issue, **David Stockman, Caspar Weinberger,** and **James Baker.** Stockman and a large White House staff faction led by Baker wanted extensive cuts; Weinberger wanted the reverse. Weinberger won. That may be a product of Reagan's feeling that this is a defense, not budget, issue, so he as president ought to show loyalty to the subordinate he had selected to manage the nation's defense.

At the next level down, why did Weinberger and his deputy, **Frank Carlucci,** both veteran Washington bureaucrats who know the extent of Pentagon waste, accede to the wishes of *their* subordinates on virtually every military request? It may be that, being initially suspect to Pentagon insiders for their lack of personal military experience, they wanted to put themselves on the team and thus win their subordinates' loyalty.

Another explanation is that Weinberger knew he could not get away with both cutting the defense budget and killing the racetrack MX, so he opted for the latter. But instead of just coming out and calling the racetrack plan a loser, he had to play another Washington game. That accounts for the sudden appearance of the flying "Big Bird" MX, an idea that Weinberger alone seemed to support. The brass reacted vehemently to Big Bird, and Weinberger accommodated them by dropping it. That way he had his flank protected when it came to putting the racetrack concept out of its misery—Weinberger could say to the generals, "Well, I played ball with you on Big Bird, didn't I?"

Many Washington machinations are staged, not for Congress, interest groups, or the public, but simply for one's subordinates. To high government officials, the public is an amorphous abstraction, off somewhere many time zones west of the Potomac. Subordinates, however, are right in the building. The policy-maker must confront them every day, and mobilize them on his behalf if he wants to advance his star. . . .

Senior presidential advisers had been strongly resentful of **George Bush,** but recently that feeling has evaporated. Reagan had become comfortable with Bush during the fall campaign, but many of his aides continued to mistrust the vice-president through the first months of the administration. Bush has quieted their reservations with a dogged display of loyalty. "If Reagan asked him to jump through a window, he'd ask which foot first," comments a White House insider. Now the question becomes, since Bush has shown his loyalty to Reagan, how will Reagan reward his subordinate by showing loyalty to him?

In

WHITE HOUSE

Assistant to the President—**Joseph W. Canzeri** has been special assistant to the president under Deputy Chief of Staff Michael Deaver.

Assistant to the President—**Richard G. Darman** has been special assistant to the president under Chief of Staff James Baker III.

Assistant to the President—**Craig L. Fuller** has been special assistant to the president under Counselor to the President Edwin Meese III.

Deputy Assistant to the President for Presidential Personnel—**Helene von Damm** has been President Reagan's personal secretary.

Deputy Press Secretary—**Lyndon K. Allin** has been associate press secretary.

Deputy Press Secretary—**Peter Roussel** is a former director of government relations for the Houston chamber of commerce.

Director of the Office of Public Affairs—**Michael E. Baroody** has been deputy director of communications.

Director of Media Relations and Planning—**Karna Small** has been deputy press secretary.

Speechwriter for the Vice-President—**Christopher Buckley** was an editor of *Esquire* magazine.

DEFENSE

Undersecretary—**James R. Ambrose** was vice-president for technical affairs for Ford Aerospace and Communications Corporation.

Assistant Secretary of the Army for Research, Development and Acquisition—**J. Raymond Sculley** headed the civil engineering department at the Virginia Military Institute.

General Counsel of the Army—**Delbert L. Spurlock, Jr.,** was with the Sacramento law firm of Spurlock and Thatch.

Undersecretary of the Navy—**James F. Goodrich** was chairman of the board of Bath Iron Works Corp.

Assistant Secretary of the Navy for Manpower and Reserve Affairs—**John S. Herrington** had a private law practice in California.

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HEALTH AND HUMAN SERVICES

Assistant Secretary for Management and Budget—**Dale Sopper** was assistant secretary for legislation at Health and Human Services.

STATE

Ambassador to Algeria—**Michael H. Newlin** has been deputy assistant secretary of state for international organizations.

Ambassador to Brazil—**Langhorne A. Motley** is an Alaska realtor.

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Ambassador to Cyprus—**Raymond C. Ewing** is a career foreign service officer.

Ambassador to Equatorial Guinea—**Alan M. Hardy** is a career foreign service officer.

Ambassador to Honduras—**John D. Negroponte** has been a deputy assistant secretary in the Bureau of East Asian and Pacific Affairs.

Ambassador to Morocco—**Joseph Verner Reed, Jr.,** was an officer of the Chase Manhattan Bank.

Ambassador to Switzerland—**Faith Whittlesey** has been with the Philadelphia law firm of Wolf, Block, Schorr & Solis-Cohen.

Ambassador to Togo—**Howard K. Walker** has been deputy chief of mission in South Africa.

Ambassador to Uruguay—**Thomas Aranda, Jr.,** has been a lawyer with the Phoenix firm of Aranda & Fischer.

Ambassador to the Theater Nuclear Forces Negotiations—**Paul H. Nitze** was an American negotiator for the SALT talks from 1969-74 and served the Kennedy, Johnson, and Nixon administrations in various defense posts.

U.S. Representative to the Mutual and Balanced Force Reduction Negotiations in Vienna—**Richard Staar** is principal associate director of the Hoover Institution.

Member, U.S. International Trade Commission—**Eugene J. Frank** was a consultant for BRC Associates of Bethesda, Maryland.

AGENCIES AND COMMISSIONS

Equal Employment Opportunity Commission
Chairman—**William M. Bell** was president of Bold Concepts, Inc., a personnel consulting firm in Detroit specializing in the placement of minorities and women.

International Trade Commission
Member—**Alfred E. Eckes** was executive director of the House Republican Conference.

Small Business Administration
General Counsel—**Walter E. Warren** was with the Washington law firm of Wolf, Arnold & Cardoso.

Out

WHITE HOUSE
Director, Office of Communications—**Frank Ursomarso** has resigned to run an automobile dealership in Wilmington, Delaware.

ENVIRONMENTAL PROTECTION AGENCY
Associate Administrator for Policy and Resource Management—**Nolan Clark** has resigned, citing irreconcilable differences between himself and administrator Anne Gorsuch.

Associate Administrator for Legal Counsel and Enforcement—**Frank Shepherd** has resigned.

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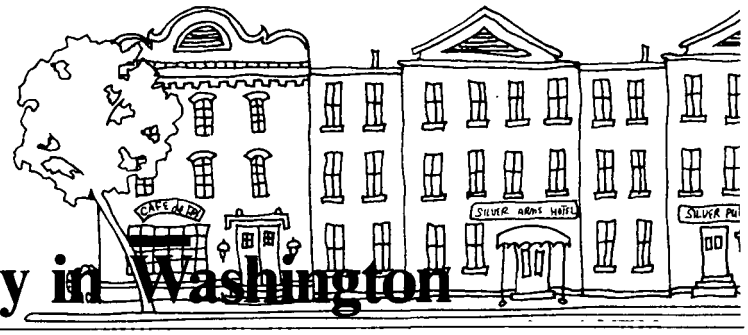

Where to Stay in Washington

Foggy Bottom

Foggy Bottom, tucked in the lower northwest corner of Washington along the Potomac, houses the State Department, Federal Reserve, National Academy of Sciences, Interior Department, Office of Personnel Management, Kennedy Center, George Washington University, and the IMF and World Bank. It's just a short walk to the shops, restaurants, and night life of Georgetown, and the Mall and monuments are nearby. The Foggy Bottom subway stop gives you access to anywhere else you want to go.

In the October issue we described the area's three regular hotels; this month we feature the four apartment-hotels, which are roomier and offer kitchens. The atmosphere at these hotels is low-key—you rarely see more than three or four people in the lobbies, and none has convention facilities.

Guest Quarters, 801 New Hampshire Avenue, N.W., (202) 785-2000, (800) 424-2900. This Guest Quarters ranks with its sister hotel at 2500 Pennsylvania Avenue, N.W., as one of Washington's most cheerful and comfortable all-suite hotels. Every suite has a separate bedroom and fully equipped kitchen including a dishwasher and china service for four. The blue and green decor, accented by chrome and glass tables, director's chairs, and colorful modern graphics, is a refreshing change from the typical hotel fare. There's no restaurant, but **The Intrigue,** right across the street, provides room-service lunches and dinners. Guest Quarters, however, will serve a continental breakfast in your suite, for a charge, and the concierge will fill grocery orders. Singles are $100 and doubles, $120. Children under 18 are $5 a day; small pets are a better deal—$4. An extra adult in the room costs $10, and parking is $5 a night. There's a small rooftop pool, which is also used by guests at the 2500 Pennsylvania Guest Quarters.

The Intrigue, 824 New Hampshire Avenue, N.W., (202) 337-6620. This is one of the more modest hotels in Foggy Bottom, and the prices reflect it. Efficiencies, with kitchen-dining areas, dressing rooms, and two studio-type beds, are $49 single, $59 double. Rooms with separate bedrooms are $59 single, $69 double. An additional person in a room is $6. There's no charge for children under 12. The stained glass and wood **Intrigue** restaurant serves moderately expensive fare and provides room service for lunch and dinner. Parking in the hotel is limited (only 12 spaces) and costs $3 a night, but there is another garage nearby.

The River Inn, 924 25th Street, N.W., (202) 337-7600, (800) 424-2741. A very attractive hotel where you'll find the quiet beige decor of your room brightened by Steinberg and Matisse prints. In addition, there's a free *Washington Post* every morning, a clock radio, a complimentary shoeshine, and a scale in the bathroom. All suites have fully equipped kitchens, and those with separate bedrooms have another TV, as well as terry robes and phones in the bathrooms. The three types of suites range from $79 to $135 for singles and $91 to $147 for doubles. (The less expensive have no separate bedrooms.) Additional persons are $12 each, but there's no charge for children under 14. Special weekend rates are a bargain: subject to availability, every suite is $40 a night for one, and $12 for each additional person, on Friday, Saturday, and Sunday nights. The small, intimate **Foggy Bottom Cafe** serves three moderately priced meals and also provides room service for the hotel. There are two small rooms for meetings.

Riverside Towers, 2201 Virginia Avenue, N.W., (202) 452-4600, (800) 424-2870. This small, quiet, bilingual (everyone on the staff speaks Spanish and English) hotel's most noticeable neighbor is the State Department. The Pan American Health Organization and Equal Opportunity Employment Commission are also nearby. The rooms are decorated in the more traditional hotel decor; all but nine have kitchens, and some have balconies. The roof "garden" (a fine display of plastic flowers) provides a splendid view of the entire city. Rooms: $50-$65, single; $55-$70, double (lower prices are for rooms without kitchens). Suites (separate bedrooms): $95-$110, single; $100-$115, double. Since the hotel caters to diplomats, it doesn't encourage children, and the charge for them is the same as for additional adults, $10. Parking is $5 a night. The reasonably priced **Riverside Cafe** serves three meals and provides room service. Group as well as monthly and weekly rates are available on request. There's a conference room that can accommodate up to 50 people.

—Donna Fenn

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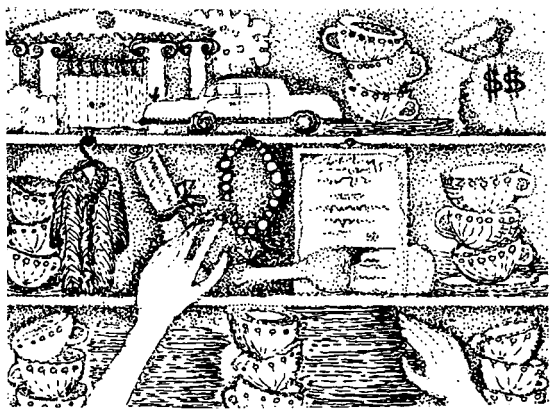
James Fallows ON POLITICAL BOOKS

The literature of "neoconservatism," which has built up in magazines like *Commentary* and *The American Spectator* over the last half-dozen years, deals at one level with public policy, but its emotional power springs from another source. Whether the stated object of discussion is racial quotas and "affirmative action," nuclear versus solar power, or America's response to the Soviet military threat, the real object of attack is the "adversary culture" that has somehow convinced the nation, or at least much of its political and intellectual leadership, to be ashamed of the values that have been most basic to America's historical success. America's essential industries have come under attack because (according to this version) privileged young people are, like indolent heirs, scornful of the grimy systems of production on which their affluence rests. The U.S. is afraid to use—or even rebuild—its military power, ceding that option to its enemies, because of an exaggerated sense of guilt and self-hatred over its efforts in Vietnam. American governments have listened supinely as terrorists and left-wing dictators deliver lectures about "justice" and "equality" because we have lost confidence in our own achievements and therefore are susceptible to the notion that other countries are poor because we are rich. And so on.

At the heart of all these arguments is an imputation of anti-Americanism, in the sense not of disloyalty but of decadence. Only people who have never fought their way up from the Lower East Side tenements or the Appalachian coal fields would dare criticize IQ tests and other ingredients of the American meritocracy. Only those who, as children of the Spock age and as college students in the era of license in the 1960s, took their freedom entirely for granted could ever romanticize such non-libertarian groups as the Palestine Liberation Organization, the Sandinistas, or the Black Panthers of yesteryear. No matter where they start, most of the neoconservative writings end up at this point, even if that means traveling a considerable distance. Last year, for example, *Commentary* published a review of Tom Wolfe's story of the astronauts, *The Right Stuff.* In the space of a few hundred words, the reviewer demonstrated that anti-Americanism lurked even in a book that less watchful readers might have considered the most wholeheartedly pro-American document imaginable.

Although neither Tom Wolfe nor the man he immortalized as the first specimen of "radical chic"—Leonard Bernstein—is a member of the sixties generation, there is a clear generational aspect to the neoconservative cause. As a class, the neoconservatives tend to be the parents of the generation that, having grown up in privilege, lost its sense of proportion during the 1960s—or else members of the children's generation who felt estranged from their contemporaries during the goings-on. Thus the extraordinary venom of the neoconservative articles about John Lennon's death, seeing in the near-canonization of Lennon another indication of the young people's infuriating belief that they were somehow special and different. And thus a curious facet of the State Department's decision to vote against the infant-formula resolution at the United Nations last spring. The job of explaining the vote fell to Elliot Abrams (who, as it happens, is the son-in-law of the central neoconservative couple, Norman Podhoretz and Midge Decter), who was a student at Harvard in the late 1960s and at odds with the "spoiled children" taking part in the uprising. A man who knew him at the time said, "That [infant formula] vote was really a vote against the occupation of University Hall."



Joseph Epstein's *Ambition,** published last year, is a book in this tradition, which is to say that the enemies it obliquely attacks are more important than the argument it raises directly. Epstein, the editor of *The American Scholar,* is an intelligent writer whose previous books, especially *Divorced in America,* carried less of this freight and, perhaps coincidentally, were more carefully considered works. The message of this book is, once again, that a spoiled class of Americans has turned its back on one of its precious values:

"Ambition, to the educated class, has come to seem pointless at best, vicious at worst. Ambition connotes a certain Rotarian optimism, a thing unseemly. . . . None of this, of course, has stopped the educated classes from attempting to get their own out of the world—lots of the best of everything, as a famous epicure once put it. . . . To renunciation is thus added more than a piquant touch of hypocrisy."

Epstein says that he asked his students at Northwestern what they wanted out of life and heard them answer about service to mankind and peace with their souls. What about influence, money, fame? he asked them.

James Fallows is Washington editor of The Atlantic *and a contributing editor of* The Washington Monthly.

*Ambition: The Secret Passion. *Joseph Epstein. Dutton, $13.95.*

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Yes, they said, that would be all right, too. Why, he asks, would none of them dare volunteer such answers? My question to Epstein is, where did he find these kids? My experience with college and graduate students has been just the opposite. However reticent they may once have been about listing power, position, and security among their goals, they've overcome that hesitation. Perhaps the students in the literature class, not yet knowing what line their professor would be taking on ambition, were saying what they thought he wanted to hear. In any case, Epstein's response to their attitude was to write a defense of an underappreciated virtue.

Judged simply as a work of prose, the book is a tremendous disappointment. It has the distinct look of an obligation that the author *had* to complete, for contractual or other reasons, rather than a message he deeply wanted to convey. The parts of the book that actually advance an argument represent no more than a fourth of its contents. The rest is summary biography, taken from other books, of figures such as Benjamin Franklin, Henry Adams, and Henry Ford. Every few pages, under the heading "Curiosity Shop," comes a brief vignette of modern life, featuring people who are almost never identified but spoken of only as "the man" or "she," in the fashion of Ellen Goodman's newspaper columns ("They were in their forties and had known each other for more than thirty years," one begins).

"Curiosity Shop," which apparently is based on events Epstein has seen and jotted in his notebook, is as close as the book gets to "reporting" or real facts. Everything else comes from the library—the story of the du Pont family, the reflections on ambition in the works of Theodore Dreiser. This library-essay approach to social analysis, perhaps born of the academic's disdain for journalism, is also typical of the neoconservatives, and it has an important effect on their outlook. It gives their theories a greater purity than would be possible if the ideas were subjected to the contrary details of the real world, while also denying the theories the richness they would certainly gain if people as intelligent as the authors confronted additional facts. (Tom Wolfe's writing, which is based on phenomenal reporting, is the best illustration of the potential richness.) In *Ambition*, the armchair approach means that Epstein's evidence about ambition in modern America consists of Joseph Heller's *Something Happened* (which proves that liberals hate corporate ambition), the actor Richard Dreyfuss's inability to cope with his success (based on an article about Dreyfuss in *Esquire*), and Michael Korda's rules for getting ahead—taken, of course, from his books.

Moreover, the places where real passion can be felt in this book arise from the things you *do* see on your way from the magazine office to the library. These often have to do with the aging radicals of the "new class" who once sneered at ambition. Some of Epstein's "Curiosity Shops" involve the former hippies of the sixties, now sitting in restaurants where they discuss real estate and compare their knowledge of fine foods. There is nothing even remotely as intense or as closely observed about the meanings of ambition at other levels of American life—among small businessmen, say, or country boys yearning to get out (unless described by Sherwood Anderson), or even those former hippies as they understand themselves.

The source of his passion may explain why Epstein never makes a central, even obvious, distinction. He defines ambition as "the fuel of achievement," but at no point does he distinguish between ambition *to be* and ambition *to do*. One is the desire for place; the other, the desire to perform. Bianca Jagger is ambitious, and so was Abraham Lincoln; but no word that applies to both of them is very useful. The early Truman Capote, who actually wrote, combined the two kinds of ambition, as opposed to the later Truman Capote, who seems to retain nothing but the ambition to be.

Epstein refuses to countenance this difference. For example, he suggests that mere decadence made some members of the later generations of the Rockefeller family less comfortable with their money than the original John D. had been. Is it not equally possible that, as a general human truth, the person who has achieved something himself is more at ease with his reward than those who simply inherit it? Would this not apply with extra force if the heir were, yes, an ambitious person? Such an explanation does not fit into Epstein's world, because he seems less intent on explaining ambition than on attacking its supposed enemies.

Jilly Cooper's *Class*† is a piece of fluff compared to *Ambition*, but it is strong in the very areas where Epstein is weak. Cooper is an English newspaper columnist who means to mix humor with social commentary. Her book is a usually funny rundown of the ways you can tell the classes apart—what they say, how they eat, how they get in their digs at each other. It has the kind of sharp detail about a number of the classes that Epstein's book totally lacks.

Although Cooper's details are so completely English that the nuance sometimes gets held up in the language barrier, the book reminded me of how similar the American class system is to the English—and how different. It is similar in the social distinctions: when Cooper describes the kind of wedding party that Jen Teale and her husband Bryan (of the lower middle class) hold for their daughter, versus the very different taste of Gideon and Samantha Upward (the upper-middles), the American parallels come quickly to mind. It is different in its sense of permanence: however rigid the American social structure may be, however different the prospects for a doctor's son and a laborer's, the country is far less bound by hereditary advantage than England. The phrases "marrying up" and "marrying down" pop up constantly in Cooper's book to indicate people who have married out of their class. The phenomenon is not unknown in American society (to use Joseph Epstein's approach, consider Clyde Griffith in Dreiser's *An American Tragedy*), but it is far less pronounced in a country where people's class can be determined more by their education and occupation than simply by their birth. *continued on page 60*

†Class. *Jilly Cooper. Knopf, $12.95.*

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Memo of the Month

JOHN V. EVANS
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May 15, 1981

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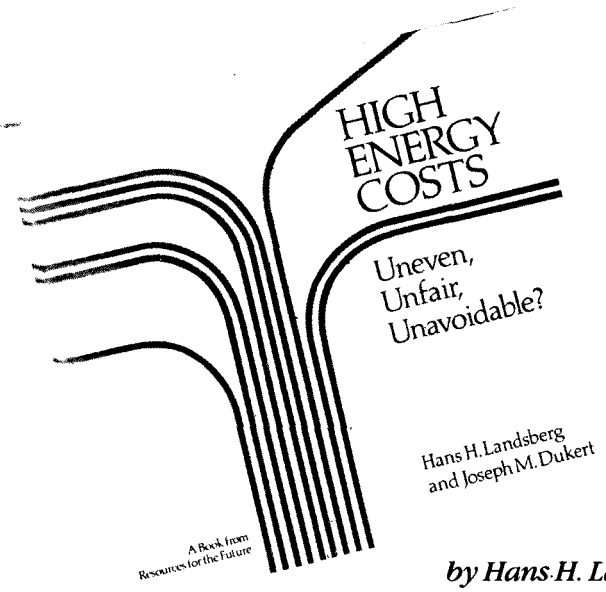

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by Hans H. Landsberg and Joseph M. Dukert

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Political Booknotes

America Held Hostage: The Secret Negotiations. *Pierre Salinger. Doubleday, $16.95.* Late last year, French television ran an abbreviated version of Pierre Salinger's ABC special on the hostage negotiations. The show concluded, in typical French fashion, with a roundtable discussion. Pierre was there, of course, as were some of the people featured prominently in his narrative, including Robert Armao, the Shah's former spokesman, and Christian Bourguet and Hector Villalon, the two men who had spent nearly six months acting as intermediaries in the crisis. The panel also included a former hostage and Jody Powell.

Bagging such guests seemed like a real coup for the French. But soon it became clear that Pierre and the others were not going to let either the ex-hostage or Powell get a word in edgewise. Instead, they spent the whole night debating such crucial questions as whether Waldheim was scared out of his wits when he went to Iran and why Michael DeBakey couldn't operate on the Shah in Panama. Just before the discussion ended the ex-hostage was given a moment to say something. What he said was that the debate he'd just heard had been pretty silly.

Those comments apply doubly to *America Held Hostage,* which is Salinger's attempt to amortize the research and reporting he put into the television show. Unquestionably the book contains material that has not appeared elsewhere. But to what end? The vast bulk of Salinger's inside skinny has to do with meetings and memos that may have seemed crucial at the time but, in the end, clearly were not. And while he is mining such meetings for every nugget of what seemed like dialogue ("I have a little problem," Jordan said. "The Shah is leaving." Bourguet turned, open-mouthed, to Torrijos. "That's not possible," he said), he gives exactly one paragraph to the more important, lingering question of whether it made sense for the Carter administration to spend so much of its time and energy on the hostage crisis. Yes, Pierre proclaims, it made sense.

This is a natural conclusion for Salinger to reach, inasmuch as the heroes of his saga (who include Hamilton Jordan and Sadegh Ghotzbadegh as well as Bourguet, Villalon, and Armao) are also his main sources—after all, *they* all thought what they were doing was vital to the western world. But if you can ignore Salinger's bias, you're likely to come to a different conclusion. For the truth is that while all those months when Jordan was meeting with the intermediaries in Paris and London may have done wonderful things for their blossoming friendship, they didn't get the hostages released. Indeed, by the time the *real* secret negotiations took place—the ones between Warren Christopher and the Algerians and the bankers—all of Salinger's key sources had long since been cut out of the picture. This gives the book something of an anticlimactic quality, since he spends only 40 pages on these negotiations after 200 pages of Ham Jordan visits the City of Light.

—*Joseph Nocera*

America Now: The Anthropology of a Changing Culture. *Marvin Harris. Simon & Schuster, $12.95.* Harris is a noted anthropologist who likes to turn his sights on the United States. Here he finds that the shift from a goods-producing to a service and information-producing economy since World War II has caused inflation, bad government, shoddy products, women's liberation, and just about anything else you can think of.

The news isn't good. The author argues that those workers who still produce something are strangers to those who design and distribute. Meanwhile, inflexible labor contracts have meant that the few productive workers we have left are much less efficient.

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are more concerned with buying and selling companies than with selling improved products to consumers." The computer, not surprisingly, "has shown itself to be the most efficient instrument for bureaucratizing interpersonal relationships ever invented."

Harris goes on to relate the rise in crime to women's entering the work force in large numbers, and gay liberation to the decline in birth rates. His views may seem eccentric, but his arguments are original and often more convincing than you would expect.

—Michael Hiestand

Douglas MacArthur: The Philippine Years. *Carol Morris Petillo. Indiana University Press, $17.50.*

The FBI and Martin Luther King, Jr.: From "Solo" to Memphis. *David J. Garrow. Norton, $15.95.*

Garrow has interrupted many years of research on the history of the civil rights movement to produce this indispensable volume on the FBI's campaign against Martin Luther King, Jr. His book shows signs of haste in the writing, probably because Garrow gleaned from his scholarship something more urgent than the usual mountain of documents and personal records—the identities of no less than four highly secret FBI informants. Two of these informants—the "Solo" brothers—were American Communists who told their handlers in the FBI that one of King's closest advisers was not only a Communist but also a conduit for clandestine KGB funds.

Readers should be warned that this account focuses on the FBI and not on King. Anyone hoping to read about the origins of the "I have a dream" speech will find instead only J. Edgar Hoover's constant references to King as a "burrhead," a "tom cat," and a "degenerate." Garrow's detailed, memo-by-memo account tracks every wiretap, bug, film, fake letter, and bit of scurrilous propaganda of the FBI's determined effort to "destroy" King, which was Hoover's avowed purpose. Faithful to the FBI perspective, it conveys a steady tone of gutter remarks, lawlessness, and rank prejudice. The FBI's performance is as inspiring as a parade of mice up your sleeve.

Garrow tells the story better than anyone ever has. He has knowledge of bureaucratic procedure, and he goes out of his way to point out the occasional shreds of legitimacy in the Bureau's activities. Unfortunately, his academic habits compel him to follow each chapter of fresh narrative with a chapter of tortured analysis, in which he categorizes the events, assigns numbered theories to explain them, and then proceeds to attack each theory except the last one, his own. These exercises would be tedious even if Garrow's own theories were always convincing, which they are not. He argues, for instance, that Assistant Director William Sullivan, not Hoover, was really behind the campaign to obtain and disseminate evidence of King's sexual adventures, and supports this thesis by inventing a dubious distinction between Sullivan the angry Puritan and Hoover the chuckling voyeur. An entire chapter called "Puritans and Voyeurs" convinced me only that Garrow and his FBI sources dislike Sullivan more than Hoover.

—Taylor Branch

Do New Leaders Make a Difference?

Executive Succession and Public Policy under Capitalism and Socialism

VALERIE BUNCE

Valerie Bunce assesses the impact of changes in leadership on priorities in policy within the Soviet bloc and western democratic states during the postwar era, with particular emphasis on the Soviet Union and the United States. Her analysis combines two approaches: a statistical investigation of the relationship between executive turnover and budgetary allocations in both systems, and case studies of the evolution of American welfare policy in the 1960s and of Soviet agricultural policy in the post-Stalinist era. The evidence from both indicates that new leaders, East and West, do make a difference in reordering priorities—but within certain limits.

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Guns Don't Die, People Do. *Pete Shields. Arbor House, $12.95.* Last year, 42 people in West Germany were killed by handguns. Fifty-two died from handguns in Canada, and eight in Great Britain. The figure for the U.S. was 10,728.

Pete Shields, a former Du Pont chemical company executive whose son was shot to death in a random street killing, has put all the relevant handgun statistics into this important new book. Shields is chairman of Handgun Control Inc., an anti-pistol lobby he helped found with some other people from Silent Majority backgrounds, including a retired CIA agent. The book is Handgun Control Inc.'s manifesto. It's not well written, but that's not the issue. The presence of a sensible anti-gun lobby run by straight-arrow types like Shields, who are interested in appealing to average working-class voters rather than left-wing intellectuals, might make all the difference in ending handgun madness.

Shields's book (and campaign) starts by explaining the basic distinction that the gun-nut faction has generally succeeded in concealing from the public—it's *handguns*, not all guns, that have to go. Rifles and shotguns are used for hunting and home defense, which the book says is fine. The sole "virtue" of a handgun, meanwhile, is that it can be hidden under a coat. Only criminals require this feature.

If the NRA were really a *rifle* association, it would be easy to live with. But it's not. It's a manufacturers' lobby, and the main thing manufacturers want to produce is handguns, since criminals keep the demand for them so high (currently two million a year). The NRA tries to promote the line that handguns are useful for self-defense, but that's sales propaganda. At home, you're better off with a shotgun. On the street, you're better off with nothing. Street criminals take you by surprise—once they have the drop on you and their guns out, it doesn't matter whether you're carrying a .45 or a 40 mm antiaircraft cannon, as you can't draw without getting shot.

Shields and his group advocate handgun control, which would be better than the fire-when-ready system we have now. Control would make it easier to jail those caught standing over the bodies of their victims. It would not, however, stop the carnage. Only handgun *abolition* will accomplish that.

True, abolishing handguns would not immediately remove them from society. It might take years, even decades. But just because a problem that took a long time to create will take a long time to solve is no reason to stand idly by as things get worse. True also, if handguns were abolished, organized criminals still might get them. But mobsters aren't the problem—they use their handguns mainly to kill each other, and it's hard to get worked up about that. Street punks, drug addicts, and jealous husbands are the problem; they commit almost all murders of the innocent. Handgun abolition would make it very difficult for disorganized, dope-addled types to obtain the tools of casual slaughter.

For those who really believe the NRA's argument that handgun abolition would be unfair to collectors (which is like saying heroin should be legal because a lot of people have invested in needles), try this on for size—*ammunition* abolition. If handgun ammunition were abolished, people could have all the handguns they wanted, and use them to pound nails. In fact, ammunition abolition might spread its life-saving effects through society faster than handgun abolition, since there would be no need to round up the hunks of steel, and stored ammunition eventually becomes useless.

—Gregg Easterbrook

Mission to Iran. *William H. Sullivan. Norton, $14.95.*

Mixed Company. *Helen Rogan. Putnam's, $14.95.* A look at the modern coed army by the author of "Racking with Missey," *The Washington Monthly,* November 1980.

Organizing: A Guide for Grass Roots Leaders. *Si Kahn. McGraw-Hill, $11.95/$5.95.*

Radwaste: A Reporter's Investigation of a Growing Nuclear Menace. *Fred C. Shapiro. Random House, $14.95.*

Speech and Law in a Free Society. *Franklyn S. Haiman. Univ. of Chicago, $22.50.*

Strategy and Choice in Congressional Elections. *Gary C. Jacobson, Samuel Kernell. Yale, $15.*

Technology in America: A History of Individuals and Ideas. *Carroll W. Pursell, Jr. MIT, $9.95.*

The Tobacco Industry in Transition: Policies for the 1980s. *William Finger, ed. Lexington, $23.95.*

The Trouble with France. *Alain Peyrefitte. Knopf, $17.95.*

The University and the Public Interest. *A. Bartlett Giamatti. Atheneum, $12.95.*

Watershed: The Campaign for the Presidency, 1980. *John F. Stacks. Times Books, $16.95.*

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continued from page 55

The main defect of Cooper's *Class* is that, for all her mockery, she totally buys the system she describes. For one thing, she presents as differences in taste what are really differences in means. The upper classes "prefer" natural fibers to those tacky polyesters. I bet a lot of nonaristocrats have also figured out that wool is nicer—along with pearls, big houses, fine restaurants, and handsome cars. All those things happen to cost money. She also describes as an upper-class virtue something that should really be independent of class standing. Time and again in the book, she gives us illustrations that the upper classes can afford to do what they please. The lower-middles are absurdly genteel in their language, for fear of giving offense; but an earl pisses into a chamberpot at a party. "The true aristocrat is a law unto himself," Cooper says. If by aristocrat she had meant not those born with money but anyone willing to carry out his goals without the fears of the Jen Teales, she would have been on the money—and would have helped explain the ambition to do. □

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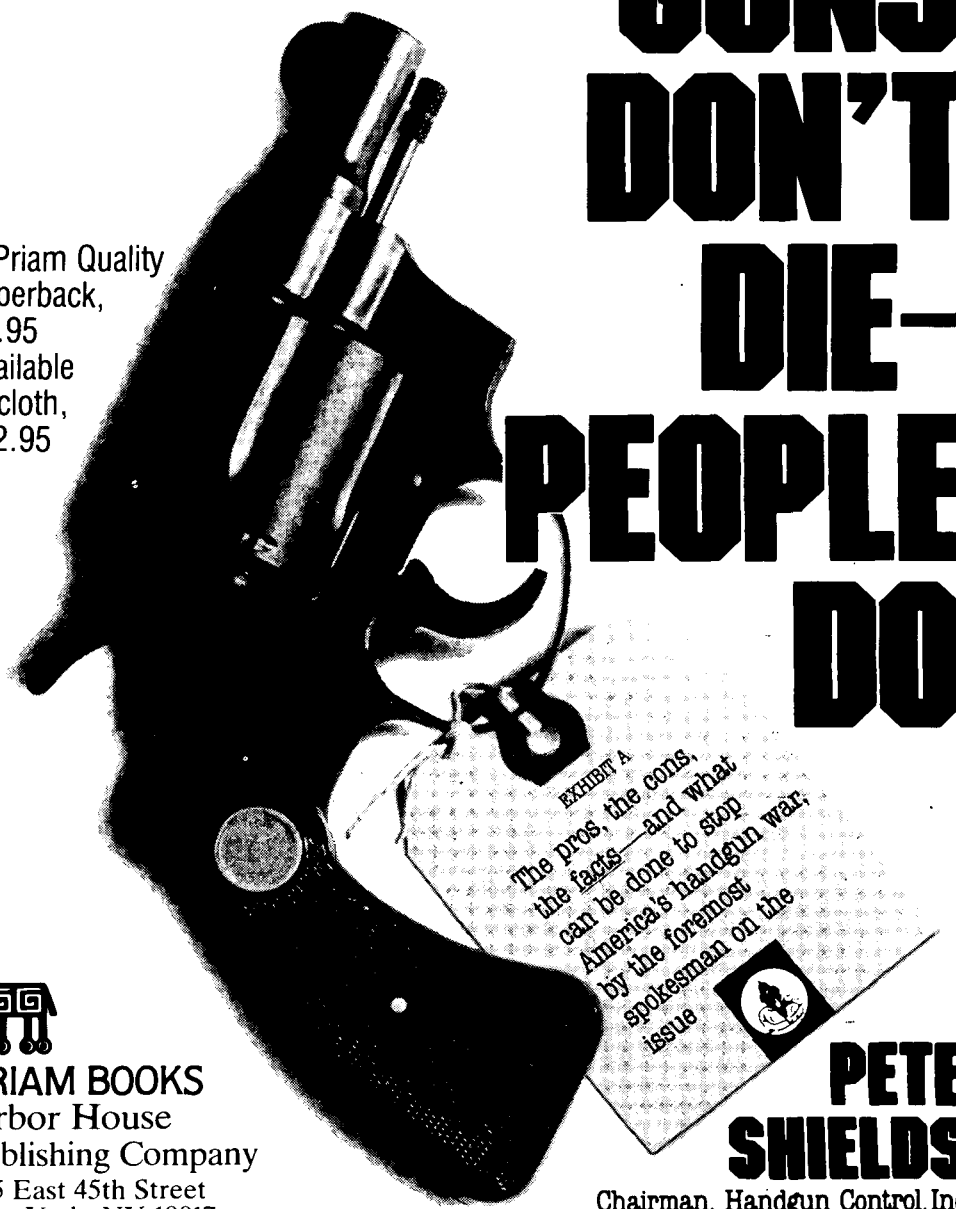

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How si[illegible]on away.
It is. On some [illegible]ms.

It's called a HELP [illegible] ways we're making our machines easier to learn and easier to use.

Push it, and our machine will explain itself, flashing easy-to-follow messages on the display screen. It will tell you what other buttons on the keyboard mean, what they do, and how to use them. Instantly.

It's like taking instruction manuals off the shelf and putting them at your fingertip. To teach a beginner. Or refresh the memory of an old pro.

Of course, some people may never need any help.

But it's nice to know it's just a push-button away.

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